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**BASSO INDUSTRY CORP.**

**2020**

# **Annual Report**

Published on May 20, 2021

# BASSO INDUSTRY CORP.

## 2020 Annual Report

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Company Acting Spokesperson

Name: Ying-Zhu Chen

Title: Senior Specialist, Finance & Accounting Department

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### II. Location of the Company and Plant

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Plant 2: No.17, Road 36, Industrial Park, Taichung City Tel: (04)2359-8877

Plant 3: No.22, Road 34, Industrial Park, Taichung City Tel: (04)2359-8877

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### III. Stock Transfer Agency

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Tel: (02)2702-3999

Address: B2, No. 97, Sec. 2, Dunhua South Road, Daan District, Taipei City

Website: www.capital.com.tw

### IV. ICPA

Name: KPMG

Auditors: Jun-Yuan Wu, Shi-Hua Guo

Address: 68F., No.7, Section 5, Xinyi Road, Xinyi District, Taipei City

Tel: (02) 8101-6666

Website: <http://www.kpmg.com.tw>

### V. Overseas Securities Exchanges: None

### VI. Company Website: <http://www.basso.com.tw>

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# Chapter 1 Letter to Shareholders

## I. Operating Performance in 2020

In 2020, net operating revenue was NT\$3,589.3 million including NT\$2,831.7 million of pneumatic nailers and automotive air tools , and NT\$757.584 million of others (including OEM components, products, magnesium alloy and aluminum alloy parts and heat treatment revenue, accounting for 78.89% and 21.11% respectively).

### (I) Results of business plan implementation in 2020

Unit: NT\$ '000

Account Year	2020	2019	Difference	Growth Rate (%)
Net operating revenue	3,589,313	3,464,083	125,230	3.62
Gross profit	908,948	985,478	(76,530)	(7.77)
Gross profit margin	25.32%	28.45%	-3.13%	(10.99)
Operating profit	551,381	576,509	(25,128)	(4.36)
Net income before tax	521,700	735,056	(213,356)	(29.03)
NIAT	406,950	573,554	(166,604)	(29.05)

### (II) Budget implementation

Unit: NT\$ '000

Item	2020 Budget amount	2020 Actual amount	Achievement rate (%)
Net operating revenue	3,500,000	3,589,313	102.55
Operating costs	2,520,000	2,680,365	106.36
Gross profit	980,000	908,948	92.75
Operating expenses	385,000	357,567	92.87
Operating profit (loss)	595,000	551,381	92.67
Net income before tax	600,000	521,700	86.95
NIAT	462,000	406,950	88.08

### (III) Analysis of Financial Revenue/Expenditure and Profitability

Items		2020	2019
Financial structure	Debt ratio (%)	19.10	15.88
	Proportion of long-term capital in PP&E (%)	430.82	407.93
Debt service ability	Current ratio (%)	433.63	505.68
	Quick ratio (%)	361.32	424.57
	Interest coverage ratio	0	10.42
Profitability	Return on assets (%)	8.39	6.53
	Return on equity (%)	10.18	14.88

	Pre-tax Income to Paid-in Capital Ratio	37.65	53.05
	Net profit ratio (%)	11.34	16.56
	Earnings Per Share (EPS) (in NT\$, after retrospective adjustments)	2.94	4.15

#### **(IV) Research and Development Status**

When developing new products, Basso's team not only takes the Company's strategy of "quality, innovation and service" as policy, but also keeps a close eye on market trends. By consistently creating innovative designs, Basso strives to ensure that all its products are differentiated, thereby keeping the Company competitive in the industry.

A. The Company's current position and stance in new product research and development is based on the following principles:

- (1) Product development strategy: In short, flexibility. Basso can adjust its new product strategy at any time in response to any market changes and demands, thereby maintaining the Company's competitiveness and profitability.
- (2) Operation of new product department: Using our experienced new product personnel, Basso collects market information by interview and digital means. Keeping abreast of the market by cross product research and analysis in different fields, Basso can respond immediately to any market pulse or user demand.. Using these techniques, all new products therefore have more 'sought after features', increasing our competitiveness in the industry.
- (3) Business team: Based on the spirit of being practical and satisfying customers' needs, the Company keeps very close relations with all existing customers, while at the same time actively seeking out and developing new customers to expand the market share of Basso's products.
- (4) R&D team: Perseverance is key in the constant search for greater quality and technological standard, whether it is the improvement of existing products, industrial level, customized products etc., or the introduction of new designs. Basso uses the latest computer-aided drawing and analysis software to improve the design level and work efficiency of all its products, making them safer, more durable and more human-oriented than competition offerings. Every product launched meets or exceeds market demand ensuring the Company maintain its competitiveness in the industry.
- (5) Patent team: With our proficient patent team, collecting and analyzing the layout direction of patents among the competitors, Basso deeply understands the industry's pulse. This foundation of knowledge facilitates and aids senior management when making important decisions on the development direction of new products. By this investment in innovation, in its research and development and patent teams, Basso ensures it files patents that not only protect its products, but also distinguish it from the rest of the industry. In doing so, Basso produces an 'industry leading' added value to its customers.

- (6)Mastery of key technology: Through vertical integration of upstream and downstream processes and investment in high value-added equipment and molds, Basso continues to improve its in-house production rates and its yield of key components.
- (7)New field technology research and development: research into new processes and materials and the subsequent application to both new and existing products. Improved appearance, structure and function, adding further to Basso's product differentiation., while increasing the diversity of product development.
- (8)Advantages of cost control: controlling the conflict between our customers' expectation of lower prices, amidst ever-increasing material and shipping costs, requires Basso to constantly review its supplier base, processes and routes to customer. Making optimum use of the existing economy of scale and new developments, Basso actively provides customers with options to further reduce their costs, creating a win-win between Basso and its valued customers.
- (9)High efficiency production scale: Whether cell-based manufacture of a highly diverse model, or volume line-based production of our high volume products, Basso coordinate with customers to optimize the advantages of both to fully meet the needs of its customers.
- (10)Quality insistence: to exceed customer expectation is our goal; Basso still adheres to the 100% final inspection / quality check.
- (11)After-Sales service: to facilitate ease in customer feedbacks, Basso has a designated department responsible for quick solutions should customers have anyquestions problems.

To sum it up, Basso's market share is still growing despite fierce competition in the industry, further enhancing its industry leader position in production and sales volume: the best possible evidence that our methods, strategy and management direction is correct. Looking forward to the future, the Company will continue to build on its success, to exceed customers' requirements and in the spirit of innovation, continue to pursue sustainable development.

#### (B)Future R&D Plans:

##### (1) Development of innovative products:

In addition to improving the quality of existing products, R&D continue to develop new products across a wide range or fields, facilitating the expansion of our customer base. By creating new market demand via higher product added value and longer product life cycle, Basso strives to continue its increase in volume and profitability.

##### (2) Providing new product appearance:

In order to make every customer brand clearly distinguish able in appearance, for both existing and future new, tailor-made products, Basso recruits only the best industrial design professions. This enables us to provide the best product appearance, ergonomics, packaging design and color scheme, making every Basso product even more attractive. Providing this module of family design and color plan, ensures continuous improvement of the product image in the future. This increased Industry Design

capability facilitates greater brand recognition differentiation for various customers, helping them to gain more sales.

(3) CAE (Computer Aided Engineering) performance improvement:

In order to meet the diversified demand of our innovative products in the future, while simultaneously improving design performance and shortening the product development timeline, Basso uses state-of-the-art analysis software throughout the company. The ability to reduce prototype manufacture and testing time by using computer simulation software, fully supports the relevant innovation work and increases the technical threshold of competition with the industry.

(C). Expected investment in research and development funds:

To minimize erosion of our market share by the competition, continuous output of new products and value patents is necessary. This in turn necessitates the continuous investment in the related development and intellectual property maintenance costs. Consequently, Basso's CAD / CAE / industrial design /gear mechanism related software and equipment used in R&D are regularly updated to improve the development efficiency. The cost of being state of the art and using 'First Class methodologies' requires a similar investment in the training expenses for R&D personnel who need to maintain their position as first in class. The Company's expenditure on research and development has always been based on the principle of "must" and "necessity" and R&D investment is expected to account for about 2-4% of revenue.

## **II. Overview of 2021 Business Plan**

### **(I) Operating guidelines**

1. Research and development of innovative pneumatic and cordless construction products, research and development of production technology.
2. Expansion of R&D, manufacturing and sales of innovative product line of tools for pneumatic and cordless automotive tools.
3. Research and enhance key component production technology and improve in-house production ratio.
4. Develop and research into advanced processes / technologies in combination with academic institutions and external resources.
5. Research on mold design technology, promotion and sales of mold manufacturing efficiency.
6. Improvement of production efficiency and simplification of production process.
7. Interdisciplinary research and development of magnesium alloy parts and development of sales market.
8. Research on improving product quality and stability, reducing production cost.
9. Stabilization of existing European and American markets, development of potential emerging markets, and strengthening of the local sales and maintenance network; so as to further increase our market share.
10. OEM production with economic scale production equipment to service processing parts, heat treatment parts, plastic parts, etc. for diversified industry.

### **(II) Expected Sales Volume and Its Basis**

The COVID-19 pandemic has spread out across virtually every country, and although it has begun to stabilize in several key countries such as the USA and some of Europe, the World Health Organization (WHO) expects that epidemic will only fully come under control when people begin to accept the need for and take, the vaccination. This is forecasted to be largely complete by the end of this year (2021).



During the past year, many people from America and Europe chose to move from downtown to the countryside, so the orders coming from the construction tools sector are expected to remain high well into Q3. We further expect that automotive tool demand will rise toward the end of this year as the population resumes travel (as the epidemic comes further under control). We may even see a boost to our sales when launching the new cordless products at the end of this year. Therefore, we hold a cautious but optimistic attitude towards the revenue in 2021.

### **(III) Major operations & sales policies**

1. Active research, expansion and development of product lines of pneumatic and cordless automotive tools.
2. Continuous innovation and development in the cordless tools sector ; expansion of the new market while enhancing the existing market share.
3. By using new, advanced processes brought in from external manufacturers, and amalgamating them with our existing factory (especially in the electric bike sector), revenue can be increased by means of an increased utilization rate within the factory.
4. Increased use of automated equipment along with supplementary training of personnel, to improve product quality yield and production efficiency, thereby reducing production costs and maintaining product market competitiveness.
5. Research and development of industrial products, such as nail guns for home appliance industry, pallet and coil nailer for packaging industry, to expand product line and increase product value.
6. Research and development of bicycle die-casting parts products, OEM products and plastic PU foam products.
7. The replacement of older, in-house machines, giving rise to more efficiency, improved quality improvement and a reduction in costs.

### **III. Future Development Strategy of the Company**

1. Expand the OEM of relevant pneumatic tool products and OEM parts, providing customers with new purchasing options.
2. Strengthen production management and on-site personnel training to improve the efficiency of each unit, and further increase product competitiveness.
3. Research and development of innovative technology to improve product differentiation and further differentiate market competition.
4. Provide customers with good quality products, service and more competitive price to meet customers' needs.
5. Actively develop new markets and new industries.

### **IV. Impact on the Company Due to Competition, Governmental Regulations, and Overall Operation Environment**

- (I) External competitive environment:** the sales strategy of the hypermarket has changed to make quality priority; returning to the previous marketing strategy of the Company basing itself again on niche and high-quality products sector. Additionally, we have gradually strengthened the high-level products required by industrial or professional market channels over the past two years and continue to develop new products and innovative technologies in this sector. It is anticipated that under the current severe competitive environment, we can avoid price competition while setting the standard that others can only hope to match.
- (II) Regulatory environment:** in the R&D and design stage, the Company has deferred to all regulations and patent requirements in all countries / regions that we operate and confirm compliance with all relevant regulations.
- (III) Overall business environment:** in 2021, the Company continues to match or better, the development of new products and new technologies, and makes use of flexible sales strategies moving forward towards the goal 10% growth over last year's performance.

# Chapter 2 Company Profile

## I. Date of Establishment

(I) Date of establishment registration: July 2, 1983

## II. Company History

- |                |   |
|----------------|---|
| July 1983      | - Established in accordance with the Company Act of the Republic of China, BASSO INDUSTRY CORP. located on Zhongxiao East Road, Taipei has a capital of NT\$2 million and moved to Dunhua South Road, Taipei afterwards. At that time, the Company mainly engaged in the import and export and trading of pneumatic and electric tools. |
| July 1987      | - Cash capital increase of NT\$3 million, capital amount was NT\$5 million.   |
| September 1991 | - Cash capital increase of NT\$7 million, capital amount was NT\$12 million. It was renamed as "BASSO INDUSTRY CORP." and moved to Dalong Road, Taichung City, and purchased office building.   |
| November 1992  | - Business items were changed to "pneumatic nailing machine trading and import and export trade, pneumatic nailing machine manufacturing and processing".   |
| March 1993     | - Won the honor of "PARTNERS IN QUALITY" awarded by American CAMPBELL HAUSFELD company.   |
| October 1993   | - Purchased No. 17, Road 36, Taichung Industrial Park as an assembly plant.   |
| March 1994     | - Purchased No. 24, Road 36, Industrial Park, Taichung City as an office building and parts processing center.  |
| April 1994     | - Cash capital increase of NT\$17 million, capital amount was NT\$29 million  |
| August 1994    | - Cash capital increase of NT\$17 million, capital amount was NT\$46 million.   |
| March 1995     | - Passed the ISO 9001 quality certification of the Commodity Inspection Bureau.   |
| April 1995     | - Passed the British BSI BE EN ISO 9001 1994 quality system certification and CNS 12681 quality system certification.   |
| May 1995       | - Cash capital increase of NT\$ 32.2 million capital amount was NT\$78.2 million.   |
| June 1995      | - Awarded the honor of "PARTNERS IN PROGRESS" by Sears of the United States.  |
| October 1996   | - Purchased the land and factory building of No. 21, Road 42, Industrial Park, Taichung City for the manufacture of plastic injection parts.  |
| November 1996  | - Purchased the land and factory building at No. 22, Road 34, Industrial Park, Taichung City, as the automatic storage and assembly plant.  |
| December 1996  | - Honored with the "Excellent Business Partner" award by American PORTER CABLE company.   |
| May 1997       | - Cash capital increase of NT\$75 million and capital increase by transfer of surplus of NT\$78.2 million, capital amount was NT\$231.4 million, and approved for supplementary IPO.  |
| December 1997  | - Honored with the "Excellent Supplier Partner" award by American PORTER CABLE company.   |

March 1998	- The first production line connecting with the automatic storage and production system in Taiwan was put into operation to improve production efficiency.
April 1998	- The composite material ejection factory began mass production, which made a breakthrough in pneumatic nailing machine materials.
May 1998	- Started to cooperate with Hitachi of Japan for shipment.
August 1998	- The Company's application for listing on the Taipei Exchange was approved.
September 1998	- Capital increase by surplus transfer of NT\$196.69 million and capital reserve of 23.14 million capital amount was NT\$451.23 million.
December 1998	- Held a performance presentation meeting before going listed on TPEx.
January 1999	- The stock was officially listed on the TPEx.
January 1999	- Honored the "Excellent Supplier of the Year" by American PORTER CABLE company.
June 1999	- Purchased the land at No. 16, Road 35 as the processing center.
June 1999	- Capital increase by transfer of the surplus and employee bonus of NT\$262.52 million and capital amount was NT\$713.75 million.
July 1999	- Stocks approved by the TPEx for being eligible for margin trading.
January 2000	- Applied to Taiwan Stock Exchange for listing of shares.
March 2000	- Taiwan Stock Exchange approved the application for listing of the Company's shares.
June 2000	- The stock was officially listed.
July 2000	- Capital increase by transfer of surplus and employee bonus of NT\$362.44 million and capital amount was NT\$1,076.19 million.
August 2000	- Factory at No. 17, Road 36 was rebuilt into a die casting plant of magnesium and aluminum alloy plant.
November 2000	- Factory at No. 17, Road 36 for magnesium and aluminum alloy die casting plant was completed and began trial production.
June 2001	- Purchased land at No. 20, Road 34 for plant expansion.
June 2001	- Capital increase by transfer of surplus and employee bonus of NT\$221.56 million, and capital amount was NT\$1,297.75 million.
August 2001	- obtained QS-9000 quality certification.
July 2002	- Capital increase by transfer of employee bonus of NT\$13.47 million, and capital amount was NT\$1,311.22 million.
September 2002	- Heat treatment plant at No. 20, Road 34 was officially launched.
June 2003	- Capital increase by transfer of employee bonus of NT\$14.58 million, and capital amount was NT\$1,325.80 million.
September 2003	- A new production line (1-line flow) connecting with the automatic storage and production system was put into operation at No. 20, Road 34.
January 2004	- Purchased the land and factory at No. 22, Road 36 for the purpose of plant expansion.
April 2004	- New plastic injection factory at No. 33, Road 37 was officially launched.
June 2004	- Capital increase by transfer of surplus and employee bonus of NT\$152.58 million, and capital amount was NT\$1,478.38 million.

May 2005	- Capital increase by transfer of surplus and employee bonus of NT\$46.57 million, and capital amount was NT\$1,524.95 million.
June 2005	- A subsidiary, YOKATA TOOL, INC. was established in California, USA, with a capital of US\$2 million.
July 2005	- Assembly plant at No. 22, Road 36 was officially launched.
June 2006	- Capital increase by transfer of surplus and employee bonus of NT\$337.24 million, and capital amount was NT\$1,862.2 million.
November 2008	- 7.99 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,782.27 million.
April 2009	- 2.7 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,755.29 million.
August 2009	- 2.01 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,735.19 million.
February 2010	- 10.93 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,625.85 million.
July 2010	- 2.95 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,596.31 million.
November 2010	- 0.65 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,589.77 million.
March 2012	- 3.09 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,558.85 million.
July 2012	- 2.16 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,537.27 million.
December 2012	- 0.44 million treasury shares were written down, and the paid in capital after capital reduction was NT\$1,532.9 million.
August 2015	- 10% capital reduction in cash, paid in capital after reduction is NT\$1,379.61 million.
September 2019	- Capital increase by transfer of employee bonus for 0.61 million shares, and the paid in capital after the capital increase was NT\$1,385.71 million.

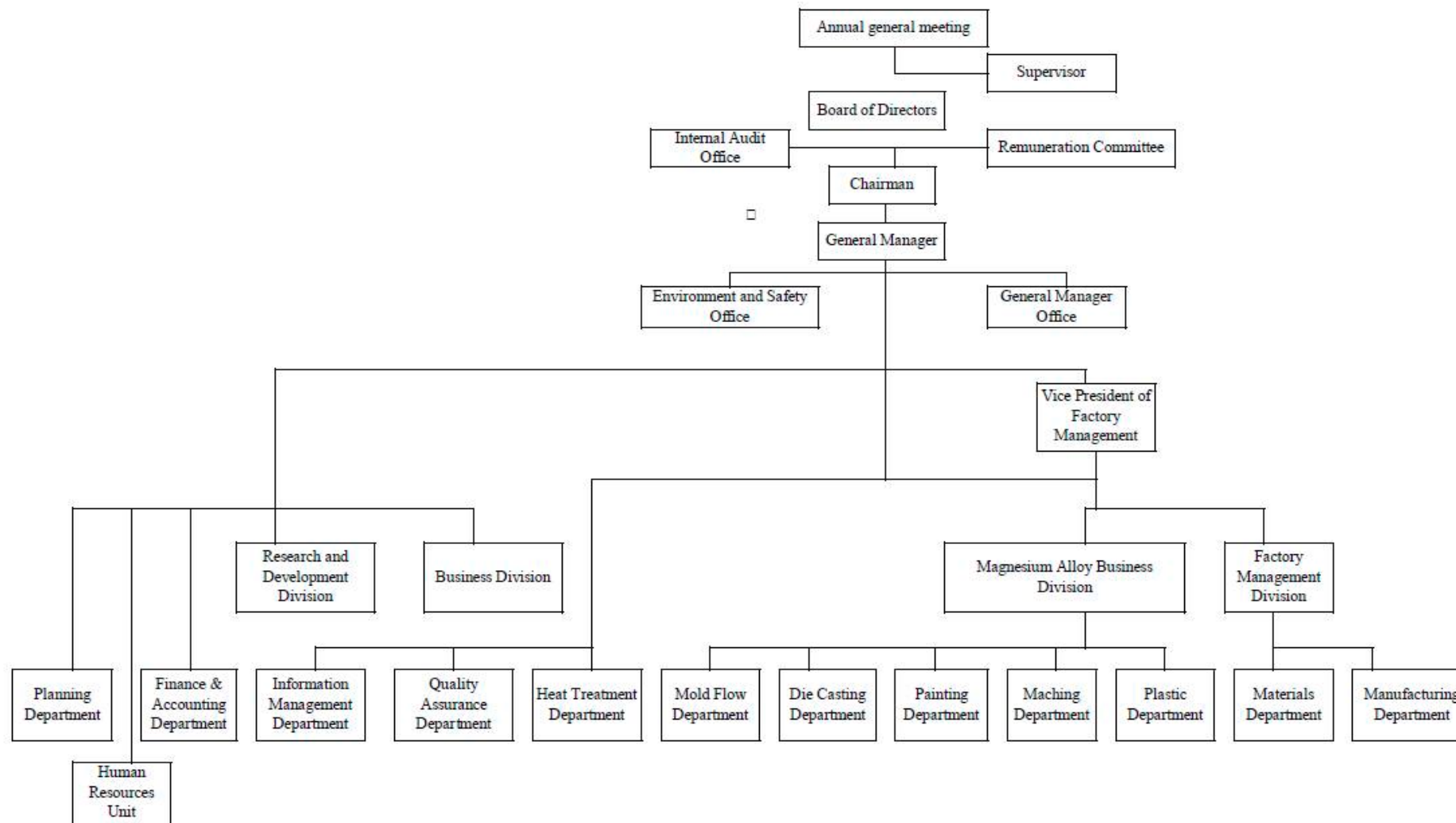
In the most recent year and up to the date of publication of the annual report, significant changes in the mode of operation or business content, and other important matters that may affect shareholders' equity, and their impact on the company: none

# Chapter 3 Corporate Governance Report

## I Organization

### (I) Organizational structure

#### BASSO INDUSTRY CORP.



## (II) Responsibilities and Functions of Major Departments

Department		Responsibilities
Board of Directors		Decision-making over business strategies, approving various rules and regulations, reviewing budgets and other functional authorities pursuant to laws and the Shareholders' Meeting.
Remuneration Committee		Evaluates the remuneration policy and system of the directors, supervisors and managers professionally and objectively and make suggestions to the Board of Directors accordingly for policy-making reference.
Internal Audit Office		In charge of investigating and evaluating the implementation of the Company's internal control system and to assess operational efficiency, and to provide recommendations for improvement.
President's Office		Overall planning and implementation of resolutions of the board of directors, and assisting the department heads to promote the Company's business.
Environmental Safety Office		Responsible for employee safety maintenance of the Company.
Business Division		Responsible for the promotion of related products of the Company.
R&D Division		Master the market and customer needs, and constantly develop and design new products.
Factory Affair Division	Production Department	Responsible for product assembly and finished product inspection.
	Logistics Department	Responsible for raw material purchasing, inventory management and production scheduling control.
Magnesium Alloy Business Division	Mold Flow Department	Responsible for mold flow analysis, manufacturing and OEM of non-company products.
	Die Casting Department	Responsible for the Company's product manufacturing process and non-company product OEM.
	Painting Department	Responsible for the Company's product manufacturing process and non-company product OEM.
	Maching Department	Responsible for the Company's product manufacturing process and non-company product OEM.
	Plastic Division	Responsible for the production of plastic parts, foaming process of components and non- company products OEM.
Heat Treatment Department		Responsible for the heat treatment of the Company's mold, parts and non-company products.
Quality Assurance Department		Responsible for ensuring the quality of the Company's products (including parts and finished products).
Human Resource Unit		Responsible for the Company's human resource and affairs procurement.
General Affairs Unit		Responsible for the maintenance, safety and health of the Company.

Finance and Accounting Department	Responsible for accounting, tax and budget processing, product cost calculation, cost related information provision, capital allocation, long-term and short-term investment and other businesses.
IT Department	Responsible for the purchase of computer software and hardware, program modification and maintenance, and the smooth operation of computers in the Company.
Planning Department	Responsible for project research assigned by the Company.

## II Directors, Supervisors, and Management Team

### (I) Directors and Supervisors

#### 1. Director and Supervisors

May 3, 2021

Title (Note 1)	Nationality/ place of registration	Name	Gender	Date Elected (Appointed) Date	Length of Period	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education) (Note 3)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Ba Wei Investment Co., Ltd.	--				13,656,448	9.90	13,507,138	9.75	N/A	N/A	Nil	0	N/A	N/A	N/A	N/A	N/A	
Corporate Representative of Directors	R.O.C.	Ming-Ta Lai	Male	2018/06/28	3 years	1996/11/29	149,310	0.11	149,310	0.11	1,093,534	0.79	Nil	0	National Taichung University Chief Judge of Taichung District Court	Chairman	Director Supervisors Director Director	Ming-Shing Lai Wei-Ting Chang Po-Yen Lai Po-Feng Lai	Brothers Sister-in-law Son Son	Increase the number of independent directors
Director	R.O.C.	Ming-Shing Lai	Male	2018/06/28	3 years	2009/06/19	1,220,313	0.88	1,220,313	0.88	1,378,100	0.99	Nil	0	President, Drill Shun Industry Inc.	Responsible person, Ding Xing Investment	Chairman Supervisors	Ming-Ta Lai Wei-Ting Chang	Brothers Spouse	
Director	R.O.C.	Chung-Hsiung Hung	Male	2018/06/28	3 years	2003/5/27	93,275	0.07	93,275	0.07	3,514	0	Nil	0	Distributor of Wei Chuan Foods	Nil	Nil	Nil	Nil	
Director	R.O.C.	Po-Yen Lai	Male	2018/06/28	3 years	2003/5/27	2,097,831	1.52	2,132,831	1.54	0	0	Nil	0	Graduated from College of Law, Taiwan National University	President	Chairman Director	Ming-Ta Lai Po-Feng Lai	Father Brothers	Increase the number of independent directors
Director	R.O.C.	Po-Feng Lai	Male	2018/06/28	3 years	2015/6/22	2,971,826	2.15	2,991,826	2.16	0	0	Nil	0	Graduated from Department of Industrial Engineering and Service Management, Chienkuo Technology University	Deputy President	Chairman Director	Ming-Ta Lai Po-Yen Lai	Father Elder Brother	
Director	R.O.C.	Chi-Wen Lin	Male	2018/06/28	3 years	2015/6/22	1,200	0.001	16,200	0.01	0	0	Nil	0	Engineer of FI TOOLING	AVP, Quality Assurance Department	Nil	Nil	Nil	
Director	R.O.C.	Hung-Yi Chen	Male	2018/06/28	3 years	New office assumed	0	0	28,000	0.02	0	0	Nil	0	Project Manager of Coretronic Corporation	Sales Manager	Nil	Nil	Nil	
Director	R.O.C.	Fu-Lo Huang	Male	2018/06/28	3 years	New office assumed	0	0	15,000	0.01	0	0	Nil	0	Assistant to President of Kings Yao Industrial	Heat Treatment Manager	Nil	Nil	Nil	
Independent Director	R.O.C.	Chun-Chung Lien	Male	2018/06/28	3 years	2015/6/22	2,203	0.002	2,203	0	0	0	Nil	0	Certified Public Accountants	Members of the Remuneration Committee Independent director of DataVan International Corporation	Nil	Nil	Nil	
Independent Director	R.O.C.	Jen-Nan Sheen	Male	2018/06/28	3 years	2017.06.28	1,524	0.001	3,524	0	15,000	0.01	Nil	0	Professor of Cheng Shiu University Electrical Engineering	Members of the Remuneration Committee	Nil	Nil	Nil	
Supervisor	R.O.C.	Wei-ting Chang	Female	2018/06/28	3 years	2009/06/19	1,378,100	1.00	1,378,100	0.99	1,220,313	0.88	Nil	0	Kaohsiung Third Credit Co-operative	Nil	Chairman Director	Ming-Ta Lai Ming-Shing Lai	Spouse of brother-in-law	
Supervisor	R.O.C.	Tzu-Lin Yeh	Female	2018/06/28	3 years	New office assumed	0	0	0	0	15,000	0.01	Nil	0	Accountant of Yu Feng Chemistry Industry Co.	Nil	Nil	Nil	Nil	
Supervisor	R.O.C.	Hsiao-Ling Lin	Female	2018/06/28	3 years	New office assumed	0	0	0	0	18,000	0.01	Nil	0	ICU Therapist of Taichung Cheng Ching Hospital	Nil	Nil	Nil	Nil	



Note 1: For the institutional shareholders, their names and representatives shall be listed (for representatives, the names of the shareholders and their representatives shall be indicated) and listed in Table 1.

Note 2: Fill in the time as the company's director or supervisor for the first time. Any interruption period during the term shall be noted.

Note 3: For experiences relevant to the current position, if the person held a position in the accounting firm providing audit services to the Company or in any affiliated companies during the above-mentioned periods, his/ her title and job responsibilities shall be specified.

Note 4: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto ((for example, increase the number of independent directors, and more than half of the directors should not be employees or managers).

➤ The Chairman and President of the Company are first-degree relatives. Mr. Po-Yen Lai, the current President, used to hold the post of Vice President of Business and R&D, due to his excellent professional and leadership ability in the past, the Company's performance in the past few years has reached the set goal. Since the former President retires, Mr. Po-Yen Lai is appointed by the management team of the board of directors of the Company as the President. The Company plans to increase one independent director by the end of 2023.➤

## 2. Directors' and Supervisors' Professional Qualifications and Independence Analyses

Qualification  Name (Note 1)	together with at least five years of work experience Meets one of the following professional qualification requirements,			Independence criteria (Note 2)												Number of other public companies where the individual concurrently serves as an independent director
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Ming-Ta Lai		✓	✓		✓				✓	✓	✓	✓		✓	✓	Nil
Ming-Shing Lai			✓		✓			✓	✓	✓	✓	✓		✓	✓	Nil
Chung-Hsiung Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Po-Yen Lai			✓		✓				✓	✓	✓	✓		✓	✓	Nil
Po-Feng Lai			✓		✓				✓	✓	✓	✓		✓	✓	Nil
Chi-Wen Lin			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	Nil
Hung-Yi Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Fu-Lo Huang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Chun-Chung Lien		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Jen-Nan Sheen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Wei-Ting Chang			✓	✓	✓			✓	✓	✓	✓	✓		✓	✓	Nil
Tzu-Lin Yeh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Hsiao-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil

Note 1: The number of spaces shall be adjusted subject to the actual circumstances.

Note 2: Directors and Supervisors who meet the following qualifications two years before the assumption of office and during the office term shall put a "✓" in the appropriate space.✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or an affiliated business (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or a subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not a natural person shareholder who holds more than one percent (1%) of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary or a subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) Not a director, supervisor, or an employee of a company where the chairman, president or any equivalent position are held by the same person or by his/her spouse separately. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, or a subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a company or institution which corresponds with the Company financially or in terms of business. (The same does not apply, however, in cases where a company or institution holds more than 20 percent but less than 50 percent of sharers and the person is an independent director of the company, its parent company, or any subsidiary, or a subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (9) Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing service or commercial, legal, financial, or accounting services with a cumulative compensation not exceeding NT\$500 thousand in the past two years to the Company or any of its affiliate. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) Not a spouse or a relative within the second degree of kinship with any director.

(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(12) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

### 3. Major shareholders of Legal Persons as Shareholders:

May 3, 2020

Name of Corporate Shareholder (Note 1)	Major Shareholders of Institutional Shareholder (Note 2)
Director -- representative of Ba Wei Investment Co., Ltd.: Ming-Ta Lai	Ming-Ta Lai (25.57%), Shu-Hsiang Liu (9.35%), Po-Yen Lai (33.62%), Po-Feng Lai (31.46%)

Note 1: If the Director or supervisor is a representative of an institutional shareholder, his/her name shall be specified.

Note 2: Please fill in the name and the shareholding percentage of the major shareholders of institutional shareholders (shareholders with the 10 highest shareholding percentage). If the major shareholders are legal entities, information shall be provided in the following table.

Note 3: For corporate shareholders who are not under the organization of the Company, the name and shareholding of the shareholders shall be disclosed (i.e. name of the investor or donor and their investment or donation ratio).

### 4. Major shareholder of the major corporate shareholder

➤ Not applicable.

### (II) President, Deputy President, Assistant Manager, and Supervisors of Departments and Branch Agencies

May 3, 2020

Title (Note 1)	Nationality	Name	Gender	Date elected	Shareholding		Spouse/minor shareholding		Shareholding by nominees		Major Education and Work Experience (Note 2)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Po-Yen Lai	Male	2018.08.23	2,132,831	1.54	0	0	Nil	0	Graduated from College of Law, Taiwan University	Nil	Deputy President	Po-Feng Lai	Brothers	Increase the number of independent directors
Senior Manager of Sales Division	R.O.C.	Yao-Sheng Shen	Male	2002.01.01	381,250	0.28	22,609	0.02	Nil	0	Deputy Manager, Nan Yi Information	Nil	Nil	Nil	Nil	Nil
AVP of Magnesium Alloy Business Division	R.O.C.	Chin-Hsin Chen	Male	2002.01.01	11,088	0	0	0	Nil	0	Factory manager of Taichi Machine Tool Works, Ltd.	Nil	Nil	Nil	Nil	Nil
Vice President of Factory Affairs Division	R.O.C.	Po-Feng Lai	Male	2016.05.01	2,991,826	2.16	0	0	Nil	0	Graduated from Department of Industrial Engineering and Service Management, Chienkuo Technology University	Nil	President	Po-Yen Lai	Brothers	Nil
AVP, Quality Assurance Department	R.O.C.	Chi-Wen Lin	Male	2016.05.01	16,200	0.01	0	0	Nil	0	Engineer of FI TOOLING	Nil	Nil	Nil	Nil	Nil
Heat Treatment Manager	R.O.C.	Fu-Lo Huang	Male	2016.05.01	15,000	0.01	0	0	Nil	0	Assistant to President of Kings Yao Industrial	Nil	Nil	Nil	Nil	Nil
Manager, Manufacturing Department	R.O.C.	Yi-Cheng Huang	Male	2016.05.01	15,000	0.01	0	0	Nil	0	Engineer of Fuxin Plastic Quality Assurance	Nil	Nil	Nil	Nil	Nil
Deputy manager of Information Management Department	R.O.C.	Ya-Hui Lu	Female	2008.05.01	0	0	0	0	Nil	0	Program designer of Falcon Machine Tools Co.	Nil	Nil	Nil	Nil	Nil
Deputy Manager, Department of Finance and Accounting	R.O.C.	Chih-Piao Chen	Female	2018.06.01	10,042	0	0	0	Nil	0	Junior Manager of Basso Industry Corp. Accounting	Nil	Nil	Nil	Nil	Nil
Audit Supervisor	R.O.C.	Pao-Yuan Wang	Male	2007.12.03	10,000	0	0	0	Nil	0	Product Manage of Acer Computer	Nil	Nil	Nil	Nil	Nil

Note 1: Information regarding President, Deputy President, Assistant Vice Presidents and managers of departments and branches, or equivalent positions shall be disclosed regardless of the job titles.

Note 2: Work experience of anyone in the table above that are related to their current positions, e.g. previous employment at the Company's CPA firms or affiliates, shall be disclosed with detailed job titles and responsibilities.

Note 3: If the chairman of the Board and the general manager or their equivalent (chief manager) are the same person, each other's spouse or a first-degree relative, the reasons, reasonableness, necessity and relevant measures to be taken shall be stated. (For example, increase the number of independent directors, and more than half of the directors should not be employees or managers.)

➤ The Chairman and President of the Company are first-degree relatives. Mr. Po-Yen Lai, the current President, used to hold the post of Vice President of Business and R&D. due to his excellent professional and leadership ability in the past, the Company's performance in the past few years has reached the set goal. Since the former President retires, Mr. Po-Yen Lai is appointed by the management team of the board of directors of the Company as the President. The Company plans to increase one independent director by the end of 2023.

### (III) Remuneration of Directors, Supervisors, President, and Vice Presidents in the Most Recent Fiscal Year

#### 1. Remuneration to Directors

Schedule I-2 (Disclose of Remuneration)

##### Remuneration of General Directors, Independent Directors, Supervisors, President and Vice President

1. In case of any of the following circumstances, the company shall disclose the names and remunerations of its directors or supervisors individually; in addition, the company may choose to disclose the names and remunerations in the form of aggregate corresponding range, or in the form of individual disclosure of names and remunerations (in the case of individual disclosure, please fill in the titles, names and amounts separately, without filling in the remuneration range table):

- (1) If there has been an after tax loss in an individual or stand-alone financial report for the last three years, the name and remuneration of the "director and supervisor" shall be disclosed separately, except for the "note 1" if the individual or stand-alone financial report for the last three years has generated after tax net profit and is sufficient to cover the accumulated loss.
- (2) A Company with Directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Directors. A Company with Supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Supervisors. [Note 2]
- (3) A Company with an average ratio of shares pledged by Directors or Supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each individual Director or Supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months. [Note 3]
- (4) If the total amount of remuneration received by all the directors and supervisors of a company from all the companies listed in its financial statements exceeds two (2) percent of its net income after taxes, and the amount of remuneration received by any individual director or supervisor exceeds NT\$ 15 million, the company shall disclose the amount of remuneration paid to individual directors or supervisors. (Note: the remuneration of directors and supervisors shall be calculated based on the "director's remuneration" plus the "supervisor's remuneration" item in the schedule, excluding the relevant remuneration received by concurrent serving employees.)
- (5) Where the results of the corporate governance evaluation of a TWSE- or TPEx- listed company in the most recent year are at the last level, or where the trading method has been changed, the trading has been stopped, or the listing of the company has been terminated in the most recent year and up to the date of printing the annual report, or where the company's corporate governance evaluation committee has approved that it should not be evaluated.
- (6) The average annual salary of full-time employees who are not in charge of supervisor positions in the most recent year of a TWSE- or TPEx-listed is less than NT\$500,000.

2. Where a TWSE- or TPEx-listed company has any of the circumstances referred to in (1) or (5) of the preceding paragraph, it shall disclose separately the remuneration information of the top five supervisors (such as the general manager, deputy general manager, chief financial officer, etc.).

[Note 1] for example, taking the annual report of 2019 prepared for the shareholders' meeting in 2020 as an example, the company shall disclose the after tax losses of individual or stand-alone financial reports in any year from 2017 to 2019 in an individual way; however, although the individual or stand-alone financial reports in 2017 and / or 2018 have after tax losses, the after tax net profit of individual or stand-alone financial reports in 2019 is enough to cover the accumulated losses, individual disclosure may not be adopted.

[Note 2] For example, taking the annual report of 2009 prepared by the shareholders' meeting of 2010 as an example, the company shall disclose separately if there is insufficient shareholding of directors or supervisors for more than 3 consecutive months from January 2009 to December 2009; and if there is insufficient shareholding of directors or supervisors for more than 3 consecutive months in January 2009 (that is, in November, December, 2008 and January, 2009, for three consecutive months), the method of individual disclosure shall also be adopted.

[Note 3] for example, taking the annual report of 2009 prepared for the 2010 shareholders' meeting as an example, if the average pledged ratio of all directors in each month is greater than 50% in February, May and August of 2009 during the period of 2009, the remuneration of individual directors with the pledged ratio greater than 50% in February, May and August of 2009 should be disclosed; in addition, in the event that the average pledged ratio of a supervisor is greater than 50% in any three months, the remuneration of an individual supervisor whose pledged ratio is greater than 50% in each such month shall be disclose.

※ The average ratio of share pledging by all Directors per month: Share pledging by all Directors/shares held by all Directors (including retained decision-making trust shares). The average ratio of share pledging by all Supervisors per month: Share pledging by all Supervisors/shares held by all Supervisors (including retained decision-making trust shares).

Remuneration for general directors and independent directors (name and remuneration are disclosed individually)

Unit: NT\$'000

Title	Name	Remuneration								Ratio of Total Remuneration (A, B, C, and D) to Net Income after Tax (Note 10)		Relevant remuneration received by directors who are also employees								Total Remuneration (A+B+C+D+E+F+G) as a % of 2018 Net Income After Tax (Note 10)		Whether the individual receives compensation from investees other than the Company's subsidiaries (Note 11)
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Remuneration to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salaries, Bonus and Special Expenses (E) (Note 5)		Retirement pension (F)		Employee Rewards (G) (Note 6)						
		The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All companies listed in this Financial Report (Note 7)	The Company	All companies listed in this Financial Report (Note 7)	The Company	All companies listed in this Financial Report (Note 7)	The Company	All companies listed in this Financial Report (Note 7)	The Company	All companies listed in this Financial Report (Note 7)	The Company		All companies listed in this Financial Report (Note 7)		The Company	All companies listed in this Financial Report (Note 7)	
Director	Ba Wei Investment Co., Ltd.	8,699	8,699			1,000	1,000	120	120	2.41%	2.41%					1,070		1,070		2.68%	2.68%	Nil
Corporate Representative of Directors	Ming-Ta Lai																					
Director	Ming-Shing Lai					1,000	1,000	120	120	0.28%	0.28%									0.28%	0.28%	Nil
Director	Chung-Hsiung Hung					1,000	1,000	120	120	0.28%	0.28%									0.28%	0.28%	Nil
Director	Po-Yen Lai					1,000	1,000	120	120	0.28%	0.28%	7,975	7,975			1,070		1,070		2.50%	2.50%	Nil
Director	Po-Feng Lai					1,000	1,000	120	120	0.28%	0.28%	4,186	4,186			1,070		1,070		1.57%	1.57%	Nil
Director	Chi-Wen Lin					1,000	1,000	120	120	0.28%	0.28%	1,577	1,577			202		202		0.71%	0.71%	Nil
Director	Hung-Yi Chen					1,000	1,000	120	120	0.28%	0.28%	1,661	1,661			238		238		0.74%	0.74%	Nil
Director	Fu-Lo Huang					1,000	1,000	120	120	0.28%	0.28%	1,471	1,471			180		180		0.68%	0.68%	Nil
Independent Director	Chun-Chung Lien							360	360	0.09%	0.09%									0.09%	0.09%	Nil
Independent Director	Jen-Nan Sheen							360	360	0.09%	0.09%									0.09%	0.09%	Nil
1. Please illustrate the policies, systems, standards and structure of independent directors' remuneration, as well as the correlation between the remuneration and the responsibilities, risks, and time: 2. Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: None																						

**Range of Remuneration of Directors**

Range of remuneration paid to directors	Names of directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies listed in the financial report (Note 9) I
Less than NT\$1,000,000	1. Chun-Chung Lien 2. Jen-Nan Sheen	1. Chun-Chung Lien 2. Jen-Nan Sheen	1. Chun-Chung Lien 2. Jen-Nan Sheen	1. Chun-Chung Lien 2. Jen-Nan Sheen
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	1. Ming-Shing Lai 2. Chung-Hsiung Hung 3. Po-Yen Lai 4. Po-Feng Lai 5. Chi-Wen Lin 6. Hung-Yi Chen 7. Fu-Lo Huang 8. Ba Wei Investment Co., Ltd.	1. Ming-Shing Lai 2. Chung-Hsiung Hung 3. Po-Yen Lai 4. Po-Feng Lai 5. Chi-Wen Lin 6. Hung-Yi Chen 7. Fu-Lo Huang 8. Ba Wei Investment Co., Ltd.	1. Ming-Shing Lai 2. Chung-Hsiung Hung 3. Ba Wei Investment Co, Ltd.	1. Ming-Shing Lai 2. Chung-Hsiung Hung 3. Ba Wei Investment Co, Ltd.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)			1 Chi-Wen Lin 2. Hung-Yi Chen 3. Fu-Lo Huang	1 Chi-Wen Lin 2. Hung-Yi Chen 3. Fu-Lo Huang
NT\$35,000,000 (inclusive)~NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	1. Representative of Ba Wei Investment Co., Ltd.: Ming-da Lai	1. Representative of Ba Wei Investment Co., Ltd.: Ming-Ta Lai	1. Po-Feng Lai 2. Representative of Ba Wei Investment Co., Ltd.: Ming-Ta Lai	1. Po-Feng Lai 2. Representative of Ba Wei Investment Co., Ltd.: Ming-Ta Lai
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)			1. Po-Yen Lai	1. Po-Yen Lai
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)				
More than NT\$ 100,000,000				
Total	11	11	11	11

Note 1: The names of Directors shall be listed separately (names of institutional shareholders and representatives shall be listed separately), the general directors and independent directors shall be listed respectively, and the payment amount shall be disclosed collectively. If a Director concurrently serves as a President or Deputy President, his/her name and the amount of remuneration paid to him/her shall be listed in this table and Table (3-1) or table () and (3-2-2) below.3-2-1

Note 2: The amount of the remuneration paid to directors in the most recent year (including director's salaries, job remuneration, severance, bonuses, and incentives etc.).

Note 3: The amount of the remuneration paid to directors in the most recent year as approved by the Board of Directors shall be filled out.

Note 4: Business expenses paid out to Directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by Directors who concurrently serve as employees (including as President, Deputy President, other managerial officer and an employee) in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under Share-Based Payment of IFRS 2, including the warrants obtained by employees, new shares with restricted employee power and subscription of shares for cash capital increase, shall also be included in remuneration.

Note 6: For Directors who concurrently serve as employees (including President, Vice President, other managerial officers, and employees) and receive remuneration of employees (including stock and cash) for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.

Note 7: Please disclose the aggregate amount of the remuneration to the Company's Directors from the companies included in the consolidated financial statements (including the Company).

Note 8: When the aggregate amount of the remuneration to the Company's Directors is disclosed, the name of the Director shall also be disclosed in the relevant range.

Note 9: When the aggregate amount of the remuneration paid to the Company's Directors from all companies in the consolidated financial statements (including the Company) is disclosed, the name of the Director shall also be disclosed in the relevant range.

Note 10: Net profit after tax refers to the net profit after tax in the most recent parent company only or individual financial report.

Note 11: a. This field should clearly indicate the amount of remuneration received by the Company's directors from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").  
b. If the Directors of the Company receive remuneration from investees other than subsidiaries or parent company, the amount of remuneration received by the Directors from investees other than subsidiaries or parent company shall be combined into column I of the Table of Range of Remuneration and this column shall be renamed as "Parent Company and All Investment Companies".  
c. Remuneration refers to rewards, compensations (including compensation to company employees, Directors or Supervisors) and allowances from professional practice received by the Director from other non-subsidiary companies invested by this Company or parent company for their services as Directors, supervisors, or managers.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

## 2. Remuneration of Supervisors

### Supervisor's remuneration (individual disclosure of name and remuneration)

Unit: NT\$'000

Title	Name	Supervisor's remuneration						Proportion of NIAT after summing items A, B, and C (Note 8)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 9)
		Remuneration (A) (Note 2)		Compensation (B) (Note 3)		Allowances (C) (Note 4)				
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies listed in this Financial Report	
Supervisor	Wei-Ting Chang			1,000	1,000	120	120	0.28%	0.28%	Nil
Supervisor	Tzu-Lin Yeh			1,000	1,000	120	120	0.28%	0.28%	Nil
Supervisor	Hsiao-Ling Lin			1,000	1,000	120	120	0.28%	0.28%	Nil

### Table for Remuneration Ranges of Supervisors

Supervisors Compensation Bracket	Name of Supervisors	
	Total of (A+B+C)	
	The Company (Note 6)	All companies in the consolidated statement (Note 7) D
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	1. Wei-Ting Chang 2. Tzu-Lin Yeh 3. Hsiao-Ling Lin	1. Wei-Ting Chang 2. Tzu-Lin Yeh 3. Hsiao-Ling Lin
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)		
More than NT\$ NT\$ 100,000,000		
Total	3	3

Note 1: The names of Supervisors shall be listed separately (the names and representatives of corporate shareholders shall be listed separately) and the amounts paid shall be disclosed in a summary.

Note 2: Remuneration to supervisors in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 3: Fill in the amount of rewards approved by the Board of Directors and distributed to the supervisors in the most recent fiscal year.

Note 4: This is business expense of Supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5: The total pay to the Supervisor from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 6: The name of each Supervisor shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the supervisors by the company.

Note 7: The names of Supervisors paid by all companies in the consolidated statements (including the Company) shall be disclosed in their respective remuneration range.

Note 8: Net income after tax refers to net income after tax listed in the individual or stand-alone financial statements in the most recent year.

Note 9: a. Remuneration which the company's supervisors receive from other non-subsidiary invested by the Company shall be disclosed in this column. (if none, please fill in "None").

b. If Supervisors of the Company received remuneration from investees other than subsidiaries of the Company or parent company, the remuneration received by Supervisors of the Company from investees other than subsidiaries of the Company or parent company shall be included in D column of the Remuneration Range Table and the name of the field shall be changed to "Parent Company and All Reinvestment Enterprises".

c. Remunerations refer to rewards, compensations (including compensations for company employees, Directors or Supervisors) and allowances from professional practice received by the Supervisor from other non-subsidiary companies invested by the Company for their services as Directors, Supervisors, or managers.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

### 3. Remuneration for the President and Vice Presidents

#### Remuneration of President and Vice President (individual disclosure of name and remuneration) unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonuses and Allowances ( C ) (Note 3)		Employee’s remuneration (D) (Note 4)				Sum of items A, B, C and D to NIAT Ratio (%) (Note 8)		Compensation paid to directors from an invested company other than the Company’s subsidiaries or parent company (Note 9)
		The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company		All companies listed in this Financial Report (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Po-Yen Lai	3,840	3,840			4,135	4,135	1,070		1,070		2.22%	2.22%	
Deputy President	Po-Feng Lai	1,218	1,218			2,968	2,968	1,070		1,070		1.29%	1.29%	

\* Regardless of job titles, positions that are equivalent to President and Deputy President (such as President, CEO, Directors, etc.) shall be disclosed.

#### Range of Remuneration for Presidents and Vice Presidents

Range of remuneration paid to the president and vice presidents	Name of president and vice presidents	
	The Company (Note 6)	From All Consolidated Entities (Note 7) E
Less than NT\$1,000,000		
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (exclusive)		
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (exclusive)		
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (exclusive)		
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (exclusive)	1. Po-Feng Lai 2. Po-Yen Lai	1. Po-Feng Lai 2. Po-Yen Lai
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (exclusive)		
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (exclusive)		
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (exclusive)		
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (exclusive)		
More than NT\$ 100,000,000		
Total		

Note 1: The names of the Presidents and Deputy Presidents shall be listed separately and the amount of remuneration paid to them shall be disclosed collectively. If a Director concurrently serves as a President or Deputy President, his/her name and the amount of remuneration paid to him/her shall be listed in this table and Table (1-1) or (1-2-1) and (1-2-2) above.

Note 2: Please specify the salaries, duty allowances and severance pay paid to the President and Deputy President in the most recent fiscal year.

Note 3: Cash and non-cash compensations to the Presidents and Deputy Presidents in the most recent year, including bonus, reward, reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under Share-Based Payment of IFRS 2, including the warrants obtained by employees, new shares with restricted employee power and subscription of shares for cash capital increase, shall also be included in remuneration.

Note 4: It refers to compensations paid to the President and Deputy President (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year and the amount shall be listed in Table 1-3.

Note 5: The aggregate amount of remunerations paid to the Company's Presidents and Deputy Presidents from all companies (including the Company) included in the consolidated financial statements shall be disclosed.

Note 6: Total remuneration paid to each President and Deputy President by the Company shall be disclosed and the names of the Presidents and Deputy Presidents shall also be disclosed in the proper remuneration range.

Note 7: Total compensation of various items paid to every President and Deputy President of this Company by all companies (including the Company) listed in the consolidated statement shall be disclosed. The name of the President and Deputy President shall also be disclosed in the proper compensation range.

Note 8: Net income after tax refers to net income after tax listed in the individual or stand-alone financial statements in the most recent year.

Note 9: a. Compensations which the company's President and Deputy President receive from other non-subsidiary companies invested by the Company shall be disclosed in this column. (If none, please fill in "None").

b. If the Presidents and Deputy Presidents of the Company receive remuneration from investee companies other than subsidiaries, the amount of remuneration received by the Presidents and Deputy Presidents from investment companies other than subsidiaries or parent company shall be combined into Column E of the Table for Ranges of Remuneration, and this column shall be renamed as "Parent Company and All Investment Companies".

c. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the president and vice presidents of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

#### 4. Remuneration of the top five supervisors receiving the highest payment of TWSE- and TPEx-listed companies

##### Remuneration of the top five supervisors receiving the highest payment of TWSE- and TPEx-listed companies (individual disclosure of name and remuneration) (Note 1)

Unit: NT\$'000

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonuses and Allowances ( C) (Note 3)		Employee’s remuneration (D) (Note 4)				Sum of items A, B, C and D to NIAT Ratio (%) (Note 8)		Compensation paid to directors from an invested company other than the Company’s subsidiaries or parent company (Note 9)
		The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company		All companies listed in this Financial Report (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Po-Yen Lai	3,840	3,840			4,135	4,135	1,070		1,070		2.22%	2.22%	Nil
Deputy President	Po-Feng Lai	1,218	1,218			2,968	2,968	1,070		1,070		1.29%	1.29%	Nil
Manager of Sales Division	Hung-Yi Chen	888	888			773	773	238		238		0.47%	0.47%	Nil
AVP, Quality Assurance Department	Chi-Wen Lin	1,026	1,026			551	551	202		202		0.44%	0.44%	Nil
Heat Treatment Dept. Manager	Fu-Lo Huang	912	912			559	559	180		180		0.41%	0.41%	Nil

Note 1: the "top five supervisors with the highest remuneration" refers to the Company's managers. For the recognition standards related to the managers, according to the applicable scope of the "managers" as stipulated in the Letter No. 0920001301 issued by the former Securities and Futures Commission of the Ministry of Finance on March 27, 2003. As for the determination principle of the calculation of the "top five highest remuneration", it is determined by the sum of the salaries, retirement pensions, bonuses and special expenses received by the Company's managers from all companies in the consolidated financial report, as well as the employee bonus (i.e. the sum of four items A + B + C + D), as the top five remuneration after ranking. If the director also serves as the above supervisor, this table and the above table (1-1) shall be filled in.

Note 2: fill in the salary, extra wage for job and severance pay of the top five supervisors receiving the highest payment in the most recent year.

Note 3: fill in all kinds of bonuses, incentives, traffic allowance, special fees, various allowances, dormitories, car allocation and other physical supplies of the top five supervisors receiving the highest payments in the latest year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. Any salary listed under IFRS Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and cash capital increase by stock subscription should also be included in remuneration.

Note 4: it is to fill in the compensation amount (including stock and cash) of the top five supervisors receiving the highest payment approved by the board of directors in the most recent year. If it cannot be estimated, the proposed distribution amount of this year shall be calculated according to the proportion of the actual distribution amount of last year, and it shall also fill in schedule 1-3.

Note 5: the total amount of remuneration paid by all companies (including the Company) to the top five supervisors with the highest remuneration of the Company in the consolidated report shall be disclosed.

Note 6: Net income after tax refers to net income after tax listed in the individual or stand-alone financial statements in the most recent year.

Note 7: a. This field should clearly indicate the amount of remuneration received by the Company's top five supervisor with the highest payments from a reinvestment business other than a subsidiary or the parent company (if none, please fill in "none").

b. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the top five supervisors with the highest payment of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation



## 5. Employees Compensation Distributed to Management Team

Unit: NT\$'000

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of total amount to net income (%)
Executive Officers	President	Po-Yen Lai	0	3,099	3,099	0.76%
	Vice President, Factory Affairs	Po-Feng Lai				
	Senior Manager of Sales Division	Yao-Sheng Shen				
	AVP of Magnesium Alloy Business Division	Chin-Hsin Chen				
	AVP, Quality Assurance Department	Chi-Wen Lin				
	Deputy Manager, Department of Finance and Accounting	Chih-Piao Chen				
	Deputy manager of Information Management Department	Ya-Hui Lu				

Note 1: Names and titles shall be disclosed separately but the amount of profit distributed can be disclosed collectively.

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net profit after income tax refers to the one in the most recent year. Where IFRSs are adopted, net profit after tax refers to the net profit after income tax recorded in the entity's or separate financial statements.

Note 3: Managerial officers herein as defined in FSC's Decree No. 0920001301 include: March 27, 2003

(1) General manager and equivalent (2) deputy general manager and equivalent

(3) AVP and equivalent (4) head of financial department

(5) Head of accounting department (6) other persons who have the right to manage affairs and sign for the company

Note 4: If any Director, President and Deputy President received employee bonus (including stocks and cash), not only Table 1-2 shall be completed, in this table shall be filled out as well.

### (IV) Analysis of the total remuneration paid to the Company's Directors, Supervisors, Presidents, and Deputy Presidents by the Company and all consolidated entities in the most recent two years as a percentage of net income, and explanation on the remuneration policy, standards and packages, determination procedures, and correlation with business performance

#### 1. Percentage analysis

Unit: NT\$'000

Item  Title	Year	2020				2019			
		The Company		All companies in the consolidated report		The Company		All companies in the consolidated report	
		Remuneration	Percentage on the net income after tax (%)	Remuneration	Percentage on the net income after tax (%)	Remuneration	Percentage on the net income after tax (%)	Remuneration	Percentage on the net income after tax (%)
Director		18,379	4.52%	18,379	4.52%	23,293	4.06%	23,293	4.06%
Supervisors		3,360	0.83%	3,360	0.83%	3,360	0.59%	3,360	0.59%
Presidents, Vice Presidents		14,301	3.51%	14,301	3.51%	19,192	3.35%	19,192	3.35%

**2. The policies, standards, and portfolios for the payment of compensation, the procedures for determining compensation, and the correlation with risks and business performance.**

- A. The remuneration of directors and supervisors, such as the fare and the remuneration of directors and supervisors, shall be stipulated in the articles of incorporation. The portion of the fare shall be prescribed in the articles of incorporation. The remuneration of directors and supervisors shall be determined by the board of directors. The remuneration shall be paid in accordance with the salary management measures and bonus system of the company if they hold the post and perform the business of the company.
- B. The general manager's and deputy general manager's remuneration shall be paid according to the company's operating performance, profit-making status, the company's salary management measures and bonus system. The general manager's part shall be authorized by the board of directors.

### III Implementation of Corporate Governance

#### (I) Implementation of board meetings

##### Information on operations of the Board

The meeting of the Board of Directors was held for 5 times (A) in total in the most recent year, with the attendance of directors and supervisors as follows:

Title	Name (Note 1)	Number of attendance in person (B)	By proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Ba Wei Investment Co., Ltd. Representative: Ming-Ta Lai	5	Nil	100%	Re-elected on June 28, 2018
Director	Ming-Shing Lai	5	Nil	100%	Re-elected on June 28, 2018
Director	Chung-Hsiung Hung	0	2	0%	Re-elected on June 28, 2018
Director	Po-Yen Lai	5	Nil	100%	Re-elected on June 28, 2018
Director	Po-Feng Lai	5	Nil	100%	Re-elected on June 28, 2018
Director	Chi-Wen Lin	5	Nil	100%	Re-elected on June 28, 2018
Director	Hung-Yi Chen	5	Nil	100%	Newly elected on June 28, 2018
Director	Fu-Lo Huang	5	Nil	100%	Newly elected on June 28, 2018
Independent Director	Chun-Chung Lien	5	Nil	100%	Re-elected on June 28, 2018
Independent Director	Jen-Nan Sheen	0	2	0%	Re-elected on June 28, 2018
Supervisor	Wei-Ting Chang	0	Nil	0%	Re-elected on June 28, 2018
Supervisor	Tzu-Lin Yeh	0	Nil	0%	Newly elected on June 28, 2018
Supervisor	Hsiao-Ling Lin	0	Nil	0%	Newly elected on June 28, 2018

Other matters:

I With regard to the implementation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

(1) Items listed in Article 14-3 of the Securities and Exchange Act.

(2) In addition to the preceding matter, other resolutions of the Board of Directors on which independent directors have dissenting opinions or qualified opinions, and that are documented or issued through written statements.

➤ **In 2020, all proposals of the company have been approved by all directors (including independent directors) attending the meeting, and none of the above matters happened.➤**

II Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

➤ **There is no such interest in the proposal of the board of directors of the company.➤**

III Targets for strengthening the functions of the Board of Directors (such as establishing an Audit Committee and enhancing information transparency) in the current and the most recent fiscal year and assessing implementation thereof

➤ **The Company has established the "Rules of Procedure for Board Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", and reported the attendance of directors at the Market Observation Post System in accordance with the regulations. The Company will set up an Audit Committee and a Remuneration Committee in 2021 to regularly review the remuneration of directors and managers.➤**

Note 1: Where the Director or supervisor is an institution, the name of the institutional shareholder and the name of its representative shall be disclosed.

Note 2: (1) Where Directors or Supervisors resign before the end of the year, the Notes column shall be annotated with

the date of resignation. Actual presence rate (%) shall be calculated using the number of Board meetings convened and actual presence during the term of service.

- (2) If any Director or Supervisor were re-elected before the end of the year, the incoming and former Directors and Supervisors shall be both listed in the table. In addition, please specify in the Remark column the re-election date and whether the Director or Supervisor are re-elected, newly elected, or Directors or Supervisors who won a by-election. Actual attendance rate (%) shall be calculated using the number of Board meetings convened and actual attendance during the term of office.

**(II) Operation of the Audit Committee or Supervisors' participation in the operations of Board meetings:**

**1. Operations of the Audit Committee: The Company will set up an Audit Committee in 2021.**

**2. Supervisors' participation in the Board of Directors**

**Supervisors' Participation in Board Meetings**

A total of 5 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Number of attendance in person (B)	Attendance Rate (%) (B/A) (Note)	Remarks
Supervisor	Wei-Ting Chang	0	0%	Re-elected on June 28, 2018
Supervisor	Tzu-Lin Yeh	0	0%	Newly elected on June 28, 2018
Supervisor	Hsiao-Ling Lin	0	0%	Newly elected on June 28, 2018

Other matters:

1. Composition and responsibilities of Supervisors:

(1) Communication between the supervisors and employees and shareholders (e.g. channel and method of communication).

➤The company convenes a labor management coordination meeting on a regular basis. The supervisor may participate in the meeting according to the actual needs and communicate fully with the both parties of employees and employers. With the shareholders, the opinions of the shareholder and the supervisor can be fully expressed through the spokesman's mailbox or the annual shareholders' meeting.

(2) Communication between the Supervisors and the internal audit manager or CPAs (such as matters, methods, and results of communication on the finances and state of business of the Company):

➤Supervisors may, when necessary, express their opinions to the internal audit supervisor at the board of directors or through email. In addition, after the completion of the semi annual and annual audit, the CPA will make a complete explanation of the audit results with the company's management. The Supervisor can also understand and communicate through this meeting when necessary.

2. If supervisors who attend Board of Directors' meetings have any opinions, the date and session of the Board of Directors' meeting, the content of proposals, Board of Directors resolutions and the Company's actions in response to supervisors' opinions shall be stated.

➤None of the above.

Note:

\* If any Supervisors resign from the Company before the end of the year, the date of resignation shall be stated in the remark column. The Attendance Rate (%) shall be calculated by Attendance in Person during the term of service.

\* If Supervisors were re-elected before the end of the year, both the incoming and outgoing Supervisors shall be listed accordingly. The Notes column shall be annotated whether the Supervisor was outgoing, incoming, or re-elected as well as the date of re-election. The Attendance Rate (%) is calculated by Attendance in Person during the term of service.

**(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof**

Evaluation item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles" based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The company has formulated a Code of Practice for Corporate Governance to ensure the implementation of the corporate governance spirit, so as to pursue the maximization of shareholders' equity and the sustainable operation of the enterprise.	No deviation
II. Shareholding structure & shareholders' rights (I) Did the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedure? (II) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders? (III) Did the company establish and enforce risk control and firewall systems with its affiliated businesses? (IV) Did the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V     V   V		(I) Although the Company does not prescribe internal operation procedures to deal with shareholders' proposals, doubts, disputes and lawsuits, it has a special line for spokesmen and acting spokesmen and a mailbox on the company's website to deal with shareholders' proposals, doubts, disputes and lawsuits. (II) The Company has a list of major shareholders of corporate directors (Ba Wei Investment). (III) The Company formulates "Related Party Transaction Management Procedures" and "Internal Major Information Processing Procedures". There is no financial or business relationship with Ba Wei Investment, a corporate director. (IV) The Company has established the Code of Ethic Conducts for Directors and Managers and the Code of Ethic Conducts for Employees.	No deviation
III. Composition and responsibilities of the Board of Directors (I) Has a policy of diversity been established and implemented for the composition of the board of directors?	V		(I) The Company has established a diversity policy on Board composition in its Corporate Governance Best Practice Principles. The Company has 10 directors in total, of which 2 are independent directors. The third independent director will be added in 2021. All directors have the	No deviation

Evaluation item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(II) In addition to salary and remuneration committee and audit committee established according to law, has the company voluntarily established other functional committees? (III) Did the company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis; and submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term? (IV) Did the company regularly implement assessments on the independence of CPA?	V		<p>professional knowledge required by the Company, which is very helpful for improving operation and management. For education and working experience, background of directors, please refer to the annual report on the page 10. (WWW.BASSO.COM.TW Investor Zone) <a href="http://www.basso.com.tw/">http://www.basso.com.tw/</a></p> <p>(II) The Company has not set up any other functional committees as of the date of printing.</p> <p>(III) The Company has formulated the performance evaluation method of the board of directors in 2020.</p> <p>(IV) In 2020, the Finance and Accounting Department of the Company has evaluated the independence of the CPA, and submitted the evaluation results to the board of directors on May 10, 2020 for deliberation and approval. According to the evaluation of the Finance and Accounting Department of the Company, Jun-yuan Wu and Shi-hua Guo from KPMG both meet the independence evaluation standard, and the CPAs have issued a statement letter. (as note1 below)</p>	
IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Corporate Governance Officer to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, assisting Directors and Supervisors with legal compliance matters, processing company matters related to board meetings and	V		<p>A number of members of the Company's Finance and Accounting Department are concurrently responsible for all related matters of corporate governance.</p> <p>On March 25, 2019, the board of directors adopted "Standard Operating Procedures for Handling Directors' Requirements".</p>	No deviation

Evaluation item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
shareholders' meetings according to laws, and preparing minutes of the board meetings and shareholders' meetings)?				
V. Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the company's website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the company?	V		The Company has set up a special area for stakeholders on the Company's website. The website is: WWW.BASSO.COM.TW and reply by specially assigned person. <a href="http://www.basso.com.tw/">http://www.basso.com.tw/</a>	No deviation
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed "Capital Securities Co., Ltd." as our stock service agency for our Shareholders' Meetings.	No deviation
VII. Information disclosure (I) Did the company establish a website to disclose information on financial operations and corporate governance? (II) Does the company have other information disclosure channels (e.g. establishing an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences, etc.)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its	V  V	  V	(I) The Company's website: WWW.BASSO.COM.TW can be used to query related information. <a href="http://www.basso.com.tw/">http://www.basso.com.tw/</a> (II) The Company has set up a Chinese and English website, designated a Business Division window to collect and disclose the Company's information, and implemented a spokesman system. (III) At present, the Company has not reported the financial report in advance, but all of them are completed within the prescribed time limit.	No deviation

Evaluation item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?				
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		<p>The Company regularly holds labor-management meeting as a bridge for communication between the labor and management; establishes the employee welfare committee and labor pension supervision committee to provide annual gifts, employee travel, health check, scholarship, etc., and allocates pension according to law to protect the rights and interests of employees. Regularly hold emergency response and disaster prevention safety training workshops. Disclose financial and business information on a regular basis. Establish long-term and stable cooperation with suppliers through quality assurance system.</p> <p>The advanced studying of directors and supervisors please refer to Note 2.</p> <p>Any major decision of the Company shall be carefully evaluated and then discussed, authorized and implemented by the board of directors to reduce business risk.</p> <p>The Company has passed ISO9001 quality assurance certification and ISO14001 environmental management system certification, and customers are protected through customer complaint operating system.</p> <p>Liability insurance has been covered for directors and supervisors.</p>	No major gaps
<p>IX. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. (It is not necessary to fill in if it is not listed in the company under evaluation)</p> <p>→1. Strengthen the disclosure of relevant financial reports, annual report data and corporate governance information on the Company's website.</p> <p>2. The Company remains committed to the practice of corporate governance.</p>				



Evaluation item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
Note: Regardless of ticking "Yes" or "No" for operations, a description is required in the Summary column.				

Note:1

Evaluation criteria for independence of CPAs in 2020:

Evaluation item	Evaluation results	Meet independence criteria
1. Direct or indirect material financial interests between the CPAs and the Company?	No	Yes
2. Does the CPA engage in financing or guarantee activities with the Company or its directors?	No	Yes
3. Does the CPA have a close business relationship and a potential employment relation with the Company?	No	Yes
4. Are the CPA and members of the audit team holding positions in the Company as directors or managerial officers or those having significant influence on the audit currently or over the last two years?	No	Yes
5. Does the CPA provide the Company non-audit items that may directly affect the audit?	No	Yes
6. Does the CPA act as agent for stocks or other securities issued by the Company?	No	Yes
7. Does the CPA act as the defender of the Company or on behalf of the Company to coordinate conflicts with other third parties?	No	Yes
8. Is the CPA a family member or relative of the Company's director, managerial officer or another position that has significant influence on the audit?	No	Yes
9. The period of the CPA's undertaking has reached the time limit prescribed by the code of professional ethics or laws and regulations, and the rotation shall be carried out	Yes	Yes

Note:2

The advanced studying of directors and supervisors :

Title :	Name :	Date of Advanced Studying	Organizer	Course Title	Hours of Advanced Studying
Director	Po-Yen Lai	2020.12.03	Taiwan Corporate Governance Association	How to strengthen the policy executive power of company.	3
Director	Po-Feng Lai	2020.12.03			3
Director	Chi-Wen Lin	2020.12.03			3
Director	Fu-Lo Huang	2020.12.03			3
Director	Hung-Yi Chen	2020.12.03			3

To: BASSO INDUSTRY CORP.

Subject: to declare that the CPA has been entrusted to perform the audit and certification of the Company's financial statements for the year 2020 and has met the relevant independence requirements of the code of professional ethics.

Explanation: the independence norms of the firm include: the individual independence of all members (financial interests, financing guarantee, employment relationship, etc.), business relationship with customers, rotation system of CPAs, and non-audit service policies and procedures. The important norms and compliance matters are explained as follows:

I. Important norms of independence

- (I) It is required that the firm, its personnel, and other personnel subject to independence norms (including those of the alliance firm) maintain independence in accordance with the code of professional ethics.
- (II) It is prohibited for any person to engage in (directly or indirectly) insider trading, misuse of internal information or any misleading behavior that may result in securities or capital market. At the same time, a statement that the staff of the firm have followed the independence policies and procedures shall be obtained every year.
- (III) For the audit cases of financial statements of TWSE (or TPEX) and emerging stock market listed companies, if the period of undertaking of the in-charge accountant, countersign accountant, quality control review accountant and qualified audit accountant of subsidiaries has reached the time limit prescribed by the code of professional ethics or laws and regulations, rotation is required.
- (IV) Identify and assess the conditions that may affect the independence of the services provided and take appropriate measures to mitigate the impact or reduce it to an acceptable level. If necessary, terminate the appointment of the case.

II. Supervision of compliance with independence policies

- (I) Through the online system, the firm controls whether all members have completed the annual independence declaration.
- (II) Check the independence compliance of individual members through regular spot check, and check whether the personnel above deputy manager (inclusive) level report the individual investment changes according to the regulations through the personal investment reporting system.
- (III) Supervise and spot check the rotation status of case accountants, including the period of case certification and the appropriateness of non-audit services provided by accountants.

(IV) In the event of a breach of the independence policy, the members (including partners) in violation will be handed to the risk and independence committee for handling in accordance with the independence discipline policy. Appropriate punishment shall be taken according to the seriousness and nature of the violation.

To sum up, the CPA has been entrusted with the audit of the financial statements of your company for the year 2020, and has maintained a rigorous and impartial attitude and the spirit of independence, and has not violated the provisions of No. 10 Code of Professional Ethics.

KPMG Taiwan

Jun-Yuan Wu

CPAs:

Shi-Hua Guo

March 26, 2021

**(1) Information of the members of Remuneration Committee**

Identity (Note 1)	Qualification  Name	together with at least five years of work experience Meets one of the following professional qualification requirements,			Independence criteria (Note 2)										Number of other public companies where the individual concurrently serves as a remuneration committee member	Remarks
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chun-Chung Lien		v		v	v	v	v	v	v	v	v	v	v	2	
Others	Cheng-Yung Huang			v	v	v	v	v	v	v	v	v	v	v	Nil	
Independent Director	Jen-Nan Sheen	v			v	v	v	v	v	v	v	v	v	v	Nil	

Note 1: For the title column, please fill in Director, Independent Directors, or others.

Note 2: Please "" the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office. ✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not serving as a Director or Supervisor of the Corporation or any affiliated business (this does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary or a subsidiary of the same parent company established in pursuant to this law or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer as stated in (1) or any of the persons mentioned in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a top 5 shareholder, or a director or supervisor representative appointed by the Company in accordance with paragraph 1 or 2, Article 27 of the Company Act (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (6) Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a company or institution which corresponds with the Company financially or in terms of business. The same does not apply, however, in cases where a company or institution holds more than 20 percent but less than 50 percent of shares and the person is an independent director of the company, its parent company, or any subsidiary, or a subsidiary of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (9) Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing service or commercial, legal, financial, or accounting services with a cumulative compensation not exceeding NT\$500 thousand in the past two years to the Company or any of its affiliate. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) No condition defined in Article 30 of the Company Act has appeared.

## **(2) Operations of Remuneration Committee**

- I. There are 3 member in the Remuneration Committee of the Company.**  
**II. The Company's Remuneration Committee composes of three members. II. The term of office of the current member: August 8, 2018 to June 27, 2021, the most recent annual Remuneration Committee meeting 2 times (A), membership and attendance are as follows:**

Title	Name	Attendance in person (B)	By proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Committee chair	Chun-Chung Lien	2	0	100%	Re-elected on August 8, 2018
Member	Cheng-Yung Huang	2	0	100%	Re-elected on August 8, 2018
Member	Jen-Nan Sheen	0	1	0%	Re-elected on August 8, 2018

Other matters:

- I. If the Board of Directors does not adopt or amend the proposal of the Remuneration Committee, it shall state the date, session, contents of the proposal, resolution results of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the remuneration adopted by the Board of Directors is superior to the proposal of the Remuneration Committee, the difference and reason shall be stated).  
 ➤The Board of Directors of the Company has no objection to the proposal of the Remuneration Committee, so there is no such matter.
- II. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the proposal, all members' opinions and the response to members' opinion should be specified:  
 ➤All resolutions of the Remuneration Committee of the Company have been approved by all members present, so there is no such issue.
- III. Reasons for discussion and resolutions of the Remuneration Committee:  
 2 meetings of the Remuneration Committee were held in 2020  
 1. The fifth meeting of the fourth term on March 19, 2020  
 (1) The Distribution of the Company's Directors, Supervisors, and Employees Remuneration in 2019.  
 2. The sixth meeting of the fourth term on December 25, 2020  
 (1) The Distribution of the Company's Directors, Supervisors, Managers and Employees Remuneration in 2019.  
 (2) Annual bonus distribution of managers of the Company in 2020

Note:

- (1) If any member of Compensation Committee resigned before the end of the year, the date of resignation shall be specified in remark column. Actual attendance rate (%) shall be calculated based on the number of meetings of Compensation Committee held, and number of his/her actual attendance, during the term of his/her service.
- (2) If any member of Compensation Committee was reappointed before the end of the year, the new and old member shall be specified, and it shall be specified in remark column that such member is a new one or old one, or new election and reelection date shall be specified in remark column. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual attendance during the term of service.

**(IV) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons**

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies? (Note 3)	V		The Company's operation is based on the principle of conservatism, with the impact of the COVID-19. The Company has carried out countermeasures for clients and purchasers, implemented relevant measures for employee quarantine, safeguarded the safety of employees and shareholders' rights and interests, formulated "Corporate Social Responsibility Best Practice Principles", actively practiced corporate social responsibility, and passed ISO14001 environmental management system certification, committed to environmental management and maintenance.	No major gaps
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V		The Company stipulates that the Finance and Accounting Department shall be the current serving unit for promoting corporate social responsibility; as of the date of printing of annual report, the Company has not reported the handling to the Board of Directors.	No major gaps
III. Environmental Issues (I) Has the company referred to the nature of its industry to establish a suitable Environment Management System (EMS)? (II) Is the company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact? (III) Does the Company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with? (IV) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established policies with regard to energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, and waste management?	V  V  V V		(I) The Company has passed ISO14001 environmental management system certification and is committed to environmental management and maintenance. (II) The Company has always been committed to improving the efficiency of resource utilization, and is committed to paperless development, recycling of waste paper, plastic aluminum iron and other resources, recycling of cartons, power and water resource control and so on. Many measures have been implemented for many years. We will continue to demand this in the future. In addition, for raw materials, due to product life and quality requirements, some parts still use recycled raw materials. (III) There is currently no such assessment. (IV) At present, there is no statistics on greenhouse gas emissions, but there are statistics on energy consumption (water, electricity, gas, etc.). Sustained energy saving and carbon reduction are the Company's established environmental goals and also comply with relevant domestic	No major gaps

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
			energy conservation laws and regulations.	
IV. Social Issues				No major gaps
(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The company complies with relevant labor laws and regulations, establishes work rules, protects the legitimate rights and interests of employees, and promotes persons with physical and mental disabilities according to the nature of the work and the expertise of the employees.	
(II) Does the Company formulate and implement reasonable employee welfare measures (including compensation, days-off, and other benefits), and appropriately reflect the operating performance or results in employee compensation?	V		(II) The company has an employee welfare committee, which regularly holds meetings to discuss employee welfare-related rights and interests, and stipulates employee compensation distribution ratios in the articles of incorporation.	
(III) Has the company provided employees with safe and healthy work environment as well as conducted regular classes on health and safety?	V		(III) The company has a labor safety and health office, which has established a "Labor Safety and Health Work Code", regularly holds labor safety meetings, and conducts various disaster prevention drills from time to time, and conducts labor safety education training for new employees, and regularly conducts employee health checks every year to track employees' physical and mental conditions.	
(IV) Has the Company established effective career and competence development and training plans?	V		(IV) At the end of each year, the company submits the following year's education and training plan form by each department, and it is executed according to the plan after approval; in addition, individuals apply for education and training from time to time, and the company handles all kinds of education and training according to actual needs.	
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?		V	(V) The company's products are sold only after they are certified by international safety regulations, but the company's products are sold to foreign distributors, so at present, there is no need to develop relevant complaint procedures for consumer protection, which are developed by foreign channel providers.	
(VI) Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?			(VI) There is currently no such assessment.	
V. Did the company, following internationally recognized guidelines or instructions, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Is		V	The company has not prepared a corporate social responsibility report, but has disclosed the "corporate social responsibility best practice principal" on the company's website.	No major gaps



Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary (Note 2)	
this report assured or verified by a neutral third party?				
VI. If the company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation:	V		The company has a "Corporate Social Responsibility Best Practice Principal", which is aimed at: 1. Taking care of employees. 2. Caring for customers. 3. Commitment to shareholders. 4. Fulfill the social public welfare. 5. Foster a sustainable environment. Actual implementation	No deviation
VII. Other important information to facilitate better understanding of the company's Corporate Social Responsibility practices:		V	There is no such situation at present.	No major gaps

Note 1: If “Yes” is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if “No” is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies and measures to counter the situation.

Note 2: Companies that have compiled CSR reports may specify ways to access the report and indicate the page numbers of the cited pages for operation.

Note 3: The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the Company's investors and other stakeholders.

**(V) Implementation of Ethical Corporate Management and the Gaps With the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Causes Thereof**

Items assessed	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</p>	V	V	<p>(I) The Company has formulated the "Ethical Corporate Management Code", which was approved by the board of directors on May 5, 2017. Ethical corporate management has formed a company culture and is implemented at all levels of the company.</p> <p>(II) (III) The company has stipulated the "Code of Ethical Conduct for Directors and Managers" and "Code of Ethical Conduct for Employees". Ethical corporate management is the company's culture. The management's conduct of maintaining ethical management has been deeply rooted in all levels of the company. There is a suggestion box. So far, no similar event has occurred in the company since its establishment.</p>	No major gaps
<p>II. Fulfillment of Ethical Corporate Management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p> <p>(II) Has the company set up a dedicated (concurrent serving) unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Has the Company established policies to prevent conflicts of</p>	V	V	<p>(I) As mentioned above, ethical corporate management has formed a company culture and is implemented at all levels of the company, therefore, although no terms of ethical conduct are specified in the business contract, it is naturally not possible to conduct business activities with those who have a record of unethical conduct.</p> <p>(II) Up to now, the company has not set up a dedicated (concurrent serving) unit subordinate to the board of directors to promote the ethical corporate management.</p> <p>(III) The company has formulated the "Code of Ethical Conduct for Directors and Managers", "Code of Ethical</p>	No major gaps

interest, provide appropriate communication channels, and implement them accordingly?		V	Conduct for Employees", and set up a suggestion box to implement it.	
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?		V	(IV) At present, it is regularly checked by internal auditors.	
(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?		V	(V) Up to now, there has not been regular internal or external education and training for ethical corporate management.	
III. Status of enforcing whistle-blowing systems in the company				
(I) Has the Company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?		V	Although the company has not yet established a specific reporting and reward system and established a convenient reporting channel, and related investigation standard operating procedures and related confidentiality mechanisms, it has set up employee mailboxes, spokesperson hotlines, and email mailboxes; no related incidents have occurred so far.	No major gaps
(II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?		V	The company establishes a personnel evaluation committee composed of the heads of various units, and holds personnel evaluation meetings from time to time to deal with matters related to employee rewards or punishment.	
(III) Does the Company provide protection to whistleblowers against receiving improper treatment?		V		
IV. Enhanced disclosure of corporate social responsibility information				
(I) Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The company has disclosed the "Code of Ethical Corporate Management" on the relevant website.	No major gaps
V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the Company: → The company has formulated the "Code of Ethical Corporate Management", and it has been implemented without significant differences.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g. review and amend its policies). → This situation has not yet occurred in the Company.				

Note: Regardless of ticking "Yes" or "No" for operations, a description is required in the Summary column.

**(VI) If the company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed: the company has not yet established.**

**(VII) Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be revealed together: The company has not yet established.**

**(VIII) Status of Internal Control System:**

**1. Statement of Internal Control:**

**Statement of the Internal Control System of TWSE/TPEX Listed Companies**

**The design and implementation are both effective**

**(This report is applicable to all laws and regulations.)**

BASSO INDUSTRY CORP.

Statement of Internal Control System

Date: March 26, 2021

Based on the results of self-assessment, the Company's internal control system in 2020 is hereby declared as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the evaluation results in the preceding paragraph, the Company considers that the design and implementation of the Company's internal control system of December 31, 2020<sup>Note 2</sup> (including the supervision and management of its subsidiaries), including the understanding of the effect of operations and the extent to which the efficiency objectives have been achieved, the reliability, timeliness, transparency of reporting, and the compliance with the relevant regulations and relevant laws and regulations, are effective, which can reasonably ensure the achievement of the above objectives.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Board of Directors on March 26, 2021; among the ten Directors that attended the meeting, none objected, and the remaining have all agreed with the contents of this statement.

BASSO INDUSTRY CORP.

Chairman: Ming-Ta Lai

signature

President: Po-Yen Lai

signature

Note 1: If there are significant deficiencies in the design and implementation of the internal control system of a public company during the year, an explanatory paragraph shall be added after the fourth paragraph of the statement of internal control system to list and explain the significant deficiencies found in the self-inspection, as well as the improvement actions and situations taken by the company before the balance sheet date.

Note 2: The date of statement is the date of the "end of the fiscal year".

**2. The CPA's review report shall be disclosed if any CPA is commissioned to review the ICS: None.**

**(IX) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent fiscal year up to the publication date of this annual report: None.**

**(X) Major resolutions of the shareholders' meeting and the Board of Directors and implementation of resolutions of the shareholders' meeting in the most recent year up to the printing date of this Annual Report:**

**Major Resolutions of Shareholders' Meeting and Board Meetings**

Date	Meeting type	Important resolutions
2020.03.19	Board of Directors (1st meeting in 2020)	<p>I. The 2020 Annual Shareholders' Meeting is scheduled to be held at 10:00 on June 30, 2020 at the meeting room on the fourth floor of the company (No. 24, Road 36, Industrial Park, Taichung City). The shareholder's proposal period (adopting the principle of arrival) is from April 24, 2020 to May 4, 2020, the acceptance place is No. 24, Road 36, Industrial Park, Taichung City. The period for suspension of share transfer is from May 2, 2020 to June 30, 2020.</p> <p>II. Passed the Company's annual financial statements in 2019.</p> <p>III. Approved the remuneration distribution plan of directors, supervisors and employees for 2019 reviewed by the Remuneration Committee.</p> <p>IV. Approved the proposal of the Company's 2020 operation plan.</p> <p>V. Approved the 2019 internal control statement.</p> <p>VI. Approved the the amendments to the Articles of Company</p> <p>VII. Approved the amendments to articles of the "Rules for Election of Director and Supervisor" of the Company.</p> <p>VIII. Approved the revision of the Company's internal control operations "CM-106 accounting professional judgment procedures, accounting policies and process management of estimated changes" for part of the articles.</p> <p>→Chun-Chung Lien, an Independent Director present, agreed to the above major issues.</p>
2020.05.11	Board of Directors (2nd meeting in 2020)	<p>I. Approved the Company's 2019 earnings distribution plan.</p> <p>II. Approved the first quarter financial report of the Company in the year 2020.</p> <p>III. Evaluate the independence of the Company's CPAs.</p> <p>→Chun-Chung Lien, an Independent Director present, agreed to the above major issues.</p>
2020.06.30	Shareholders' meeting	<p>I. Recognized the 2019 business report and final accounts. → Approved by 96.64% of the voting rights of the shareholders present as proposed.</p> <p>II. Recognized the 2019 earnings distribution plan, it was resolved to issue a cash dividend of NT\$1.2 per share, for a total of NT\$166,284,768. → Approved by 96.55% of the voting rights of the shareholders present as proposed. (Execution situation as explained in the remarks)</p>

		<p>III. Amendments to the Articles of Company. →Approved by 96.65% of the voting rights of the shareholders present as proposed.</p> <p>IV. Amendments to the articles of the "Rules for Election of Director and Supervisor" of the Company. →Approved by 96.65% of the voting rights of the shareholders present as proposed.</p>
2020.08.05	Board of Directors (3rd meeting in 2020)	<p>I. Approved the Company's Q2 2020 Financial Statements.</p> <p>II. The base date for ex-dividend is set at September 5, 2020, the last day for stock transfer is August 31, 2020, and the period for suspension of share transfer is from September 1, 2020 to September 5, 2020. The Chairman is authorized to handle other related matters at discretion. The cash dividend payment date is September 25, 2020. → The Independent Directors Chun-Chung Lien agreed on the above major issues.</p>
2020.11.10	Board of Directors (the 4th meeting in 2020)	<p>I. Approved the third quarter financial report of the Company in the year 2020.</p> <p>II. Approved the 2021 annual audit plan declaration form.</p> <p>III. Approved the Measures for the Evaluation of the Board of Directors.</p> <p>IV. Approved the Management of Regulation Compliance</p> <p>V. Approved the Internal Control System-Regulation Compliance of Management Cycle CM110 → The Independent Directors Chun-Chung Lien agreed on the above major issues.</p>
2020.12.25	Board of Directors (the 5th meeting in 2020)	<p>I. Approved the remuneration of directors and supervisors, the remuneration distribution of managers and employees in 2019 and the year-end bonus distribution of managers in 2020 approved by the Remuneration Committee of the Company. → The Independent Directors Chun-Chung Lien agreed on the above major issues.</p>
2021.02.26	Interim meeting of the Board(the first meeting in 2021)	<p>I. Approved trading financial derivatives with domestic financial institutions, and authorize the chairman to handle. → The Independent Directors Chun-Chung Lien agreed on the above major issues.</p>
2020.03.26	Board of Directors (2nd meeting in 2021)	<p>I. The 2021 Annual Shareholders' Meeting is scheduled to be held at 10:00 on June 28, 2021 at the meeting room on the fourth floor of the company (No. 24, Road 36, Industrial Park, Taichung City). The shareholder's proposal period (adopting the principle of arrival) is from April 23, 2021 to May 3, 2021, the acceptance place is No. 24, Road 36, Industrial Park, Taichung City. The period for suspension of share transfer is from April 30, 2021 to June 28, 2021.</p> <p>II. Approved the Company's annual financial statements in 2020.</p> <p>III. Approved the remuneration distribution plan of directors, supervisors and employees for 2020 reviewed by the Remuneration Committee.</p> <p>IV. Approved the proposal of the Company's 2021 operation plan.</p> <p>V. Approved the 2020 internal control statement.</p> <p>VI. Formulation of the company's "Audit Committee Charter".</p>

		VII. Approved the Re-election of the company's directors and independent directors →The Independent Directors Chun-Chung Lien and Jen-Nan Sheen all agreed on the above major issues.
2021.05.10	Board of Directors (3rd meeting in 2021)	I. Approved the Company's 2020 earnings distribution plan. II. Approved the first quarter financial report of the Company in the year 2021. III. To audit the list of Directors (including Independent Directors) nominated by the Board of Directors IV. Evaluate the independence of the Company's CPAs. V. To remove the non-compete restrictions on the newly directors. →The Independent Directors Chun-Chung Lien and Jen-Nan Sheen all agreed on the above major issues.

Note: the shareholders' meeting in 2020 has resolved on the plan of earnings distribution. The implementation status: it is resolved to issue cash dividends of NT\$1.2 per share, totaling NT\$166,284,768. On August 5, 2020, the board of directors set the ex-dividend base date as September 5, 2020, and the cash dividend distribution date as September 25, 2020, and the distribution is completed as scheduled.

**(XI) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors for the most recent year and up to the printing date of the annual report: None.**

**(XII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D in the Most Recent Year as of the Date of Publication of Annual Report:**

### **Summary of resignation and dismissal of persons associated with the Company**

May 3, 2021

TITLE	NAME	DATE OF ASSUMPTION OF DUTY	DATE OF DISMISSAL	REASONS FOR RESIGNATION OR DISMISSAL
Nil	Nil	Nil	Nil	Nil

Note: The relevant personnel in this context refers to the Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor, etc.

#### IV Information on CPA Professional Fee

- (I) When non-audit fees paid to the CPA, the accounting firm of the CPA, and/or any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

##### CPA professional fees by range (Please tick the range or fill in the amount)

CPA firm	Name of CPAs		Audit period	Remarks
KPMG Taiwan	Jun-yuan Wu	Shih-Hua Kuo	2020.01.01~2020.12.31	

Note: Where this Company replaces the CPA or accounting firm, please list the audit periods of the former and succeeding CPAs or firms and the reason for the replacement in the remark column.

Unit: NT\$'000

Range of fees		Category of fees	Audit fee	Non-audit fee	Total
1	Less than NT\$ 2,000,000		V	V	1,558
2	NT\$ 2,000,000 (inclusive) -NT\$ NT\$ 4,000,000				
3	NT\$ 4,000,000 (inclusive) -NT\$ NT\$ 6,000,000				
4	NT\$ 6,000,000 (inclusive) -NT\$ NT\$ 8,000,000				
5	NT\$ 8,000,000 (inclusive) -NT\$ NT\$ 10,000,000				
6	More than NT\$ 10,000,000 (inclusive)				

##### **Information on CPA professional fees**

Unit: NT\$'000

CPA firm	Name of CPA	Audit fee	Non-audit fee					Audit Period	Remarks
			System Design	Business registration	Human Resource	Other (Note 2)	Subtotal		
KPMG Taiwan	Jun-Yuan Wu Shih-Hua Kuo	1,410		6		93	148	2020.01.01~ 2020.12.31	Non-audit fee - Others: Travel fare, English financial report translation fee, full-time worker salary review fee of non supervisor.

Note 1: Where the Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement shall be provided in the Notes section accordingly. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.



Note 2: Non-audit fees shall be listed separately based on service items. If "Other Fees" in non-audit fees reaches 25% of total non-audit fees, the contents of the non-audit services shall be specified in remark column.

(II) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: None.

(III) Where accounting fee paid for the current year was more than 15% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

## V Information on Replacement of CPA

→ None.

VI The Company's Chairman, President, and Managers in charge of financial or accounting affairs who have worked in a firm or affiliated company of the CPA in the most recent year, the name, position and period shall be disclosed: None.

VII Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report:

### Changes to the equity of directors, supervisors, managerial officers, and major shareholders

Title	Name	2020		As of May 3, 2021	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Director	Ba Wei Investment Co., Ltd. Representative: Ming-Ta Lai	0	0	0	0
Chairman	Ming-Ta Lai	0	0	0	0
Director	Ming-Shing Lai	0	0	0	0
Director	Chung-Hsiung Hung	0	0	0	0
Director and President	Po-Yen Lai	0	0	0	0

AVP of Magnesium Alloy Business Division	Chin-Hsin Chen	0	0	0	0
Director and Vice President	Po-Feng Lai	0	0	0	0
Senior Manager of Sales Division	Yao-Sheng Shen	0	0	0	0
Director and AVP of Quality Assurance Department	Chi-Wen Lin	0	0	0	0
Director and Business Manager	Hung-Yi Chen	0	0	0	0
Director and Manager of Heat Treatment Department	Fu-Lo Huang	0	0	0	0
Independent Director	Chun-Chung Lien	0	0	0	0
Independent Director	Jen-Nan Sheen	2,000	0	0	0
Supervisors	Wei-Ting Chang	0	0	0	0
Supervisors	Tzu-Lin Yeh	0	0	0	0
Supervisors	Hsiao-Ling Lin	0	0	0	0
Deputy Manager, Department of Finance and Accounting	Chih-Piao Chen	0	0	0	0
Deputy manager of Information Management Department	Ya-Hui Lu	(6,000)	0	0	0

Note 1: Shareholders who hold more than 10% of the Company's issued shares shall be identified as major shareholders and stated separately.

Note 2: Where the counterparts of the equity interest transfer or pledge of equity interest are related parties, the following table shall be filled in: None.

# VIII Information on the Top 10 Shareholders of the Company who are identified as related parties, spouse or relatives within second-degree of kinship

May 3, 2021

Name (Note 1)	Current shareholding		Spouse/minor shareholding		Shareholding by nominees		Name and Relationship between the Company's 10 Largest Shareholders, or Spouses or Relatives within Second Degrees of Kinship (Note 3)		Remark Note
	Shares	%	Shares	%	Shares	%	Meeting (OR NAME)	Relation	
Ba Wei Investment Co., Ltd. Representative: Ming-Ta Lai	13,507,138	9.75%	N/A	N/A	N/A	0	N/A	N/A	The number of shares held by the representative is as follows
Ming-Ta Lai	149,310	0.11%	1,093,534	0.79%	Nil	0	Shu-Hsiang Liu Po-Yen Lai Po-Feng Lai Ming-Shing Lai Wei-Ting Chang	Spouse  Son Son  Younger Brother Younger brother's wife	
Fubon Life Insurance	7,234,000	5.22%	N/A	N/A	N/A	0	N/A	N/A	
Po-Feng Lai	2,991,826	2.16%	0	0	Nil	--	Ming-Ta Lai Shu-Hsiang Liu Po-Yen Lai	Father  Mother Elder Brother	
Standard Chartered in Custody for SPDR Portfolio Emerging Market Investment Account	2,501,905	1.81%	N/A	N/A	N/A	0	N/A	N/A	

Po-Yen Lai	2,132,831	1.54%	0	0	Nil	0	Ming-Ta Lai Shu-Hsiang Liu Po-Feng Lai	Father Mother Younger Brother	
Wei-Ting Chang	1,378,100	0.99%	1,220,313	0.88%	Nil	0	Ming-Shing Lai Ming-Ta Lai Shu-Hsiang Liu	Spouse Husband's elder brother Husband's sister-in-law	
JPMorgan Chase Bank as custodian of Vanguard Group Emerging Market Fund Investment Account	1,277,000	0.92%	N/A	N/A	N/A	--	N/A	N/A	
Ming-Shing Lai	1,220,313	0.88%	1,378,100	0.99%	Nil	0	Wei-Ting Chang Ming-Ta Lai Shu-Hsiang Liu	Spouse Elder Brother Elder sister-in-law	
Shu-Hsiang Liu	1,093,534	0.79%	149,310	0.11%	Nil	0	Ming-Ta Lai Ming-Shing Lai Wei-Ting Chang Po-Yen Lai Po-Feng Lai	Spouse Husband's younger brother Younger brother's wife of husband Son Son	
JPMorgan Chase Trustee Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,044,339	0.75%	N/A	N/A	N/A	--	N/A	N/A	

Note 1: All the top 10 shareholders shall be listed. For juristic person shareholders, their names and the name of their representatives shall be listed separately.

Note 2: Shareholding percentage is calculated separately based on the percentage of shares held in the name of the person, his/her spouse, minor children, or others.

Note 3: Relationships between the aforementioned shareholders, including juristic person shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

**IX Information on the number of shares of the company invested by the Company, any of the Company's directors, supervisors and executive officers or a company directly or indirectly controlled by the Company and consolidated percentage of shareholding:**

➤The Company has no investment business.

## Chapter 4 Funding Status

### I. Capital and Shares

#### (I) Source of Capital: Type of Shares Issued in the Most Recent Year up to the Date of Publication of Annual Report

Date/ Month	Issue price	Authorized Share Capital		Paid-in capital		Note		
		Stock (shares)	Amount	Stock (shares)	Amount	Sources of capital	Capital increase by assets other than cash	Other
May, 2021	Par value NT\$10	186,219,600	1,862,196,000	138,570,640	1,385,706,400	--	None	A total of 32,930,000 shares of treasury stock were written down and cash capital decreased by 15,328,960 shares, A total of 610,000 shares transferred from employees' compensation to common stock (Approval number: Letter No. 10801136300 issued by Ministry of Economic Affairs on October 7, 2019 )

Note 1: Information for the current fiscal year shall be added as of the publication date of this annual report.

Note 2: For any capital increase, the effective (approval) date and the document number shall be added.

Note 3: Shares traded below par value shall be indicated in a clear manner.

Note 4: Capital increase by currency debts or technology shall be stated and the type and amount of assets involved in such capital increase shall be noted.

Note 5: Shares traded via private placement shall be indicated in a clear manner

Type of stocks	Authorized capital stock			Notes
	Issued (Listed) Shares (Note)	Unlisted shares	Total	
Registered common shares	138,570,640	47,648,960	186,219,600	A total of 32,930,000 shares of treasury stock were written down cash capital decreased by 15,328,960 shares, and employees' compensation transferred to common stock of 610,000 shares (Approval number: Letter No. 10801136300 issued by Ministry of Economic Affairs on October 7, 2019 )

➤Note: Issued shares are listed stocks.

## (II) Composition of Shareholders May 3, 2021

Shareholder Composition No. of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign institutions and Natural Persons	Total
Persons	0	5	214	28,401	96	28,716
Shareholding	0	8,292,000	17,104,262	101,617,292	11,557,086	138,570,640
Shareholding Percentage	0.00%	5.98%	12.34%	73.34%	8.34%	100.00%

Note: TWSE/TPEX listed companies should disclose Chinese investors holding percentage; in accordance with Article 3 of the Measures Governing Investment Permit to the People of Mainland Area, Chinese investors refer to Chinese nationals, juridical person, groups, other organizations, or corporates making investments outside the territory of the Republic of China.

### (III) Distribution of Share Ownership

#### 1. Common Share: May 3, 2021

Shareholding Scale	Number of Shareholders	Shareholding	Shareholding Percentage (%)
1-----999	10,624	1,023,105	0.75%
1,000-----5,000	14,442	29,839,928	21.53%
5,001-----10,000	2,039	16,121,568	11.63%
10,001-----15,000	553	7,049,032	5.09%
15,001-----20,000	378	6,985,679	5.04%
20,001-----30,000	268	6,974,728	5.03%
30,001-----40,000	140	5,018,740	3.62%
40,001-----50,000	64	2,980,517	2.15%
50,001-----100,000	115	8,205,077	5.92%
100,001-----200,000	44	5,982,612	4.32%
200,001-----400,000	27	7,433,250	5.36%
400,001-----600,000	8	3,988,864	2.88%
600,001-----800,000	4	2,586,554	1.87%
800,001--1,000,000	0	0	0
Over 1,000,001 shares	10	34,380,986	24.81%
Total	28,716	138,570,640	100.00%

#### 2. Preferred shares: None

### (IV) List of major shareholders May 3, 2020

Shareholders	Shareholding	Shareholding Percentage (%)
Ba Wei Investment Co., Ltd.	13,507,138	9.75%
Fubon Life Insurance	7,234,000	5.22%
Po-Feng Lai	2,991,826	2.16%
Standard Chartered in Custody for SPDR Portfolio Emerging Market Investment Account	2,501,905	1.81%
Po-Yen Lai	2,132,831	1.54%
Wei-Ting Chang	1,378,100	0.99%
JPMorgan Chase Bank as custodian of Vanguard Group Emerging Market Fund Investment Account	1,277,000	0.92%
Ming-Shing Lai	1,220,313	0.88%
Shu-Hsiang Liu	1,093,534	0.79%
JPMorgan Chase Trustee Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,044,339	0.75%

Name, number of shares held, and shareholding percentage of shareholders who hold more than 5% of the shares or the top 10 shareholders:



**(V) Market price, net worth, earnings and dividends in the last two years Unit: NT\$**

Year			2019	2020	As of March
Items			(Distributed in 2020)	(Distributed in 2021)	31, 2021
Market price per share (Note 1)	Highest		62.4	49.95	48.50
	Lowest		43.6	33	40
	Average		53.1	41.38	45.56
Net worth per share (Note 2)	Pre-distribution		28.09	29.71	30.77
	Post-distribution		26.89	Undistributed	Undistributed
Earnings per share	Weighted average shares		138,138,557	138,570,640	138,570,640
	Earnings per share (Note 3)		4.15	2.94	1.06
Dividends per share	Cash dividends		1.2	Undistributed	Undistributed
	Stock dividends	Resulted from earnings	0	0	Undistributed
		Resulted from surplus	0	0	Undistributed
	Accumulated unpaid dividend (Note 4)		None	None	None
Return on investment analysis	Price/Earnings ratio (Note 5)		12.8	14.07	42.98
	Price/Dividend ratio (Note 6)		44.25	Undistributed	Undistributed
	Cash dividend yield (Note 7)		2.26	Undistributed	Undistributed

\* If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: The annual highest and lowest market value of common stock shall be listed. The annual average market value is calculated based on each year's transaction value and quantity.

Note 2: The quantity of shares issued at the end of the year shall be used as the reference and please fill in the table according to the distribution amount as resolved by the shareholders' meeting held in the following year.

Note 3: Where retroactive adjustment is necessary due to issuance of bonus shares, earnings per share before and after the adjustment shall be listed.

Note 4: If the terms of equity securities issuance allow unpaid dividends to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: Price/Earnings Ratio = Average closing price for each share in the year/Earnings Per Share

Note 6: Price/Dividend Ratio = Average closing price per share in the year/cash dividends per share

Note 7: Cash dividend yield = Cash dividends per share in the year/ closing price per share.

Note 8: For net worth per share and earnings per share, list the amount published in the financial report reviewed by CPA in the most recent quarter prior to prospectus printing. For figures in other columns, list the annual amount published prior to prospectus printing.

## **(VI) Company's dividend policy and implementation thereof**

### **1. The Company's Dividend Policy:**

According to Article 26 and 26-1 of the Company's Articles of Incorporation:

Annual earnings shall be allocated as such: a minimum of 0.5% to employee bonus and a maximum of 3% to remuneration paid to Directors and Supervisors. Unless losses have been covered, the Company shall not make distribution of surplus profit. Retained earnings shall be withheld as capital reserve. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions. If there is any annual profit, the Company shall first pay out income tax, offset its losses in previous years and set aside a legal reserve at 10% of the earnings left over, until the accumulated legal reserve has equaled the total capital of the Company; then set aside or reverse special reserve if needed by the Company's operation or in accordance with relevant laws or regulations. If there is still remaining profit and beginning undistributed earnings, the Board of Directors shall propose earnings distribution to the shareholders' meeting for resolution.

According to governing authorities, factors such as allowances for decline in value of long-term investment and cumulative translation adjustments contribute to the deduction of shareholders' equity. Before allocating retained earnings, the same amount of earnings shall be reserved as special reserve on the grounds of the deduction of shareholders' equity.

- (1) If the deduction of shareholders' equity is resulted from the current year, the special reserve withheld shall not exceed the aggregate of net income after tax and previous year's accumulated undistributed dividend.
- (2) If the deduction of shareholders' equity is resulted from the previous year, it shall not exceed the amount derived from deducting item (1) from the previous year's accumulated undistributed dividend.
- (3) For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent which the net debit balance reverses.

According to Article 27, corporate's dividend policy could be adjusted in accordance with the scale of business operation and for the need of cash flow. Cash dividend shall account for over 10% of the shares distributed to shareholders. The distribution of stock dividend, in general, accounts for over 70% of the operating profit after tax. Distribution could also be adjusted in accordance with business performance (e.g. exchange gains or losses).

### **2. Implementation of Dividend Allocation in Shareholders' Meeting:**

In 2020, a total of NT\$1,804,090,048 retained earnings can be allocated. Cash dividend allocated to shareholders is at a value of NT\$2.35 per share, totaling to NT\$325,641,004.

(Note: Remuneration of Directors and Supervisors totaling to NT\$11 million and Employees' Compensation totaling to NT\$29.622 million).

**(VII) The Impact of Stock Dividend Distribution to Business Performance and Earnings Per Share:**

No stock dividend allocation plan was proposed in this shareholders meeting. Such is inapplicable.

**(VIII) Employees' Compensation and Remuneration of Directors and Supervisors**

**1. Quantity or scope of compensation for employees, Directors, and Supervisors as prescribed under the Articles of Association:**

According to Article 26 and 26-1 of the Company's Articles of Association:

Annual earnings shall be allocated as such: a minimum of 0.5% to employee bonus and a maximum of 3% to remuneration paid to Directors and Supervisors. Unless losses have been covered, the Company shall not make distribution of surplus profit. Retained earnings shall be withheld as capital reserve. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.

**2. The basis for estimating the amount of compensation to employees, Directors, and Supervisors and for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimate for the current period:**

- (1) The amount allocated to 2020 employees' compensation and remuneration of Directors and Supervisors was NT\$40,622 thousand based on a certain percentage of 2020 profit and factors such as legal reserve specified in Articles of Association and listed under-estimates for operating costs and operating expenses in the current year. If the actual amount of bonus to employee subsequently paid differs from the above estimated amounts which is allocated in stock bonus, differences shall be recorded under 2021 net loss.

**3. Remuneration Approved by Board of Directors:**

- (1) On March 26, 2021, Board of Directors approved 2020 employees' compensation and remuneration of Directors and Supervisors:

Unit: NT\$; shares

Employees' Compensation				Remunerations of Directors and Supervisors	Difference	
Cash value	Stock value	Stock (shares)	Total	Cash value	Difference	Allocation
29,622,000	0	0	29,622,000	11,000,000	No discrepancies	Inapplicable

Note: The amount of 2020 employees' compensation and remuneration of Directors and Supervisors was consistent with the estimated expense in 2019.

- (2) Amount of employees' compensation distributed in stock, and its size as a percentage of the sum of net income after tax and total employees' compensation stated in the parent company only financial statements or individual financial statements for the current period

Number of Shares Distributed as Employees Compensation in the Form of Stock	Total Amount to NIAT	Total Amount to Employees' Compensation
0	0%	0%

**4. Allocation of 2020's net profit for employees' compensation and remuneration of Directors and Supervisors: NT\$31,973 thousand of employees' compensation and NT\$11,000 thousand of remuneration to Directors and Supervisors were distributed. The allocated amount was as approved and resolved by the Board of Directors.**

**(IX) Company Shares Repurchase: None.**

**II. Issuance of Corporate Bonds: None.**

**III. Issuance of Preferred Stocks: None.**

**IV. Overseas Depository Receipts: None.**

**V. Handling of Employee Stock Option:**

1. Status of Employee Stock Options: None.

2. Employee Stock Options Granted to Management Team and to Top 10 Employees, Include Names, Grants, and Status: None.

3. Status of Employee Restricted Stock: None

4. Employee Restricted Stock Granted to Management Team and to Top 10 Employees, Include Names and Grants: None.

**VI. Merger and Acquisition (including Merger, Acquisition and Demerger): None.**

**VII. Implementation of Capital Application Plan**

**(I) Proposal: With respect to each incomplete public issue or private placement of securities, and to such issues and placements which were completed in the most recent three years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement: None.**

**(II) Implement Status: (As proposed)**

# **Chapter 5 Business Operations Overview**

## **I. Main Business Activities**

### **(I) Business Scope**

#### **1. Main Business Activities**

- (1) Cordless nailers, pneumatic nailers, and the manufacturing, machining, packaging, and trading of other pneumatic, cordless machinery.
- (2) The machining, packaging, and trading of pneumatic tools, cordless tools, hand tools and machinery.
- (3) Machining, packaging, and trading of construction materials.
- (4) The manufacturing, machining, packaging, and trading of related product parts and hardware parts in the above categories.
- (5) The import/export of products, parts, and hardware parts in the above categories.
- (6) The handling of sales leads, bids, and sales businesses (excluding futures) of domestic and overseas manufacturers.
- (7) CA02020 Aluminum and Magnesium Products Manufacturing
- (8) CQ01010 Mold Making
- (9) CB01010 Machinery and Equipment Manufacturing
- (10) CB01020 Office Machines Manufacturing
- (11) CC01030 Electrical Appliances and Manufacturing
- (12) CC01050 Data Storage Media Units Manufacturing
- (13) CD01030 Automobiles and Parts Manufacturing
- (14) CD01040 Motor Vehicles and Parts Manufacturing
- (15) CD01050 Bicycles and Parts Manufacturing
- (16) CE01010 Precision Instruments Manufacturing
- (17) CE01030 Photographic and Optical Equipment Manufacturing
- (18) CP01010 Hand Tool Manufacturing
- (19) CH01010 Sporting and Athletic Articles Manufacturing
- (20) CH01040 Toys Manufacturing
- (21) C805030 Plastic Made Grocery Manufacturing
- (22) C805050 Industrial Plastic Products Manufacturing
- (23) CA01100 Aluminum Rolling, Drawing and Extruding
- (24) CA01990 Other Non-metal Industry (using rolling, drawing, forging, and extruding to manufacture magnesium and magnesium alloy)
- (25) CA03010 Metal Heat Treating
- (26) CA04010 Metal Surface Treating
- (27) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**2. Percentage of Business:****Unit: NT\$'000**

Sales Revenue and Percentage of Total Sales Business item	2019		2020	
	Sales Revenue	Percentage of Total Sales (%)	Sales Revenue	Percentage of Total Sales (%)
Pneumatic nailers and other air tools	2,743,884	79.21	2,831,729	78.89
Others	720,199	20.79	757,584	21.11
Total	3,464,083	100.00	3,589,313	100.00

**3. Company's Products (Services) Features:**

- (1) Pneumatic Nailer, Gas Nailer
- (2) Automotive Air Impact Wrench, Air Ratchet Wrench
- (3) Intelligent Industrial Nailer
- (4) Air Saw and Air Hammer
- (5) Air Sander
- (6) Air Grinder
- (7) Air Carton Closer
- (8) Magnesium and Aluminum Alloy Die-Casting Parts
- (9) High-pressure Pneumatic Nailer and Equipment
- (10) Parts of Bicycles

**4. New Products (Services) Features Development:**

- (1) Automotive Maintenance, Vessel, Aviation Air Tools
- (2) Cordless Nailer, Cordless Impact Wrench
- (3) RC Construction Tools
- (4) Industry-specific Maintenance Tools

**(II) Industry Overview****1. Industry Overview and Development:**

The COVID-19 pandemic has spread out across virtually every country, and although it has begun to stabilize in several key countries such as the USA and some of Europe, the World Health Organization (WHO) expects that epidemic will only fully come under control when people begin to accept the need for and take, the vaccination. This is forecasted to be largely complete by the end of this year (2021).

During the past year, many people from America and Europe chose to move from downtown to the countryside, so the orders coming from the construction tools sector are expected to remain high well into Q3 as the otaku economy continues. We further expect that automotive tool demand will rise toward the end of this year as the population resume travel (as the epidemic comes further under control). We may even see a boost to our sales when launching the new cordless products at the end of the this year. Therefore, we hold a cautious but optimistic attitude towards the revenue in 2021.

In the global market, high-end pneumatic fastening tools feature quality assurance valuing quality, durability, and safety. The Company constantly collaborates with major global brands in ODM partnership and has received international recognition in R&D, enhancing global competitiveness.

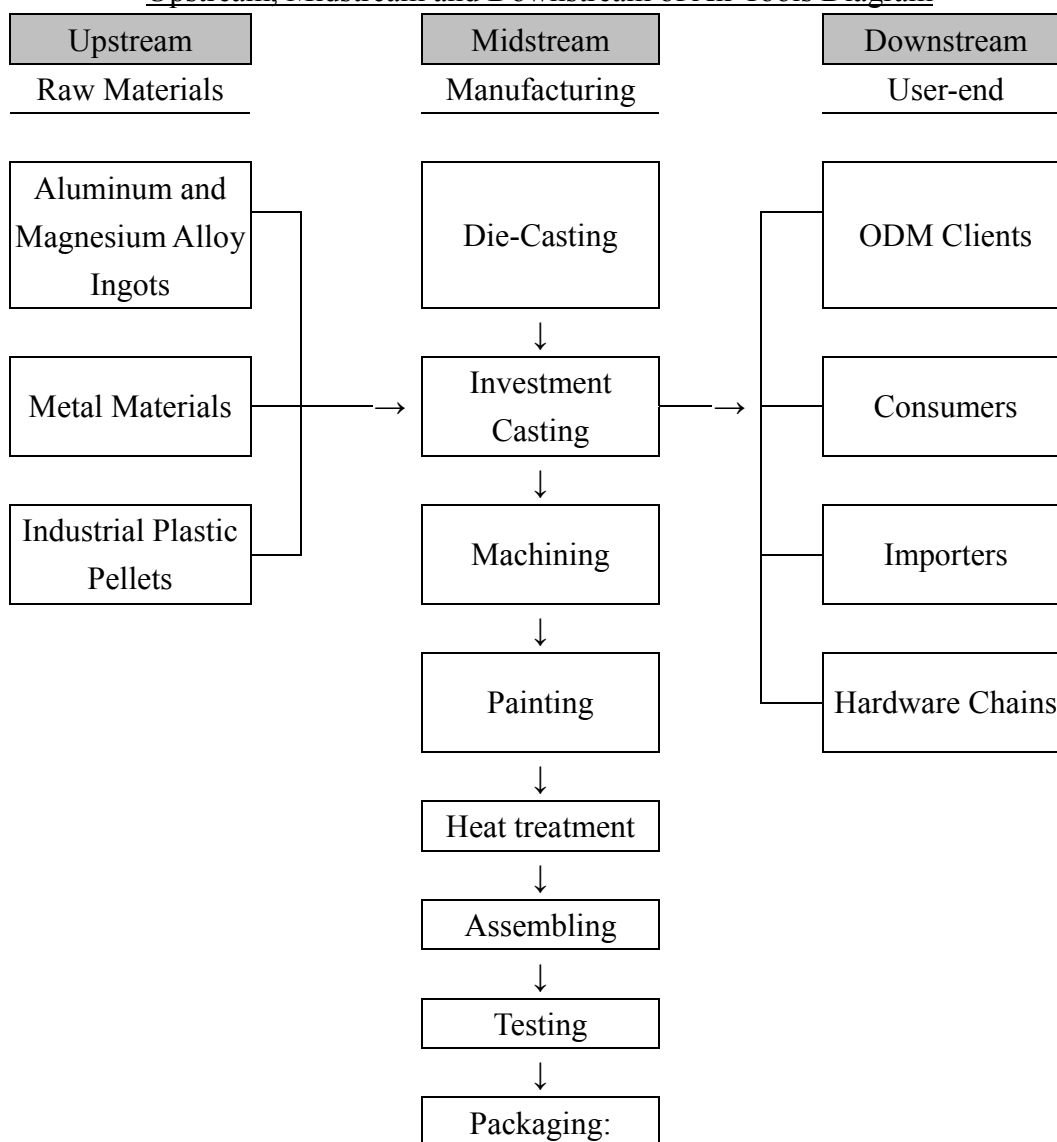
The Company has continues to show dedicated efforts to launch innovative products and reduce costs. Significant resource is allocated to R&D personnel training, R&D testing, and key technologies in the manufacturing process to optimize production efficacy, achieving demands for “mass production and quality

& reliability,” creating a reliable and professional corporate image, and thus enhancing customers’ satisfaction. On such basis, the Company continues to invest in developing more new products to provide diversified value offerings and insists quality reliability and cost-reduction to provide reliable products and competitive prices. A continuous dedication to meet industry standards and demands for “small production lots with multiple models” enables the Company to maximize shareholders’ benefits and profits.

## 2. The correlation among the upstream, midstream and downstream of the industry:

The Company manufactures aluminum, magnesium, and composite air nailers and automotive air tools. Upstream process provides aluminum ingots, magnesium ingots, and composite raw materials. Midstream and downstream can be classified into manufacturing, machining, and end-user. Each vendor has respective tasks and functions according to division of labor. The detailed process is as below:

Upstream, Midstream and Downstream of Air Tools Diagram



### 3. Product Development Prospects:

As time progresses, so does new product development. Prospective product modifications could be as follows:

- (1) Light weight: new materials features (light and durable)
- (2) High capacity: new function features (compact with high capacity)
- (3) Multi-purpose design: multi-purposes machines
- (4) Large nails: do not affect the equilibrium of nailers
- (5) Low cost: reliability in quality
- (6) Low in energy consumption: optimize efficacy
- (7) Cordless: compact in size
- (8) Customized design features

### 4. Market competition:

Because the domestic market features ODM air tools, competition is primarily from major foreign brands and manufacturers (e.g. US: SBDK, SENCO, RIDGID, Japan: MAX, HITACHI, MAKITA, Europe: PREBENA, BeA, and others).

## (III) Technologies and R&D efforts

### 1. Research and Development (R&D) expense in the most recent year as of the publication date of the Annual Report

Unit: NT\$'000

Year	2020	March 31, 2021
R&D Expenditures	174,562	41,817

### 2. Successfully Developed Technologies or Products

- (1) 10 pneumatic nailers.
- (2) 32 automotive air tools.

## (IV) Mid- and Long-term, Short-term Sales Development

### 1. Mid- and Long-term Development

- (1) To become the global leading professional air tools manufacturer.
- (2) To develop tools in other related fields.

### 2. Short-term Development

- (1) R&D investment in new cordless construction and automotive air tools to expand market and increase market share.
- (2) To enhance personnel training to improve product quality and production efficacy, thus lowering production costs and maintaining market advantages.
- (3) To analyze and expand market opportunities and increase market share.
- (4) To develop industrial products, such as furniture, pallet nailers, and air carton closers to expand product lines and increase value-added product offerings.
- (5) To develop bicycle parts.



## II. Market and Industry Overview

### (I) Market analysis

#### 1. Primary Products (Services) Sales Regions:

Unit: NT\$'000

Geographical region \ Year	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
America	1,812,739	50.50	1,721,789	49.70
Europe	1,010,423	28.15	1,084,996	31.32
Asia and other regions	766,151	21.35	657,298	18.98
Total	3,589,313	100.00	3,464,083	100.00

#### 2. Market share and market's future supply and demand situation and growth:

##### (1) Global Demand and Supply

Over the past two years, rising manufacturing costs in mainland China, amidst increased competition between the USA and China, have motivated the major US brands to once again purchase from Taiwanese manufacturers or outsource manufacturing processing from Taiwanese partners; making Taiwan once again the largest global supplier. The US still remains Taiwan's primary export market while Europe, predominantly supplied by German and Italian manufacturers, ranks second. Both of these geographic segments are closely followed by Japan, which ranks third. Japanese vendors focus on the domestic market with US being its primary export market.

Because of the requirement for more advanced pneumatic fastening tools technology and high user-demand for product assurance, the global market is dominated by countries such as Taiwan, US, Italy, and Japan which have well-developed markets. The following chart indicates the major brands from each region.

Country	Major Brands
Taiwan	Basso, De Poan
US	SBDK, SENCO, RIDGID
Japan	MAX, HITACHI, MAKITA
Europe	PREBENA, BeA

##### (2) Domestic Demand and Supply

A competitive pneumatic nailer market in the global industry, Taiwan focuses on exporting while imports remain relatively low. In 2018, domestic pneumatic nailer and stapler production reached between 1.6-2 million pcs. Based on recent market developments, the domestic market forecasts a steady growth, but the trend of cordless nail guns will gradually increase. The domestic market focuses on domestically-manufactured products with a low dependency on imported pneumatic fastening tools.

##### (3) Market Demand and Supply

The USA is the largest pneumatic fastening tools market in the world because the majority of its housing units are wooden constructions furnished with wooden furniture. Influenced by factors such as a booming real estate market, low construction costs, short construction time, high replacement rate, as well as high renovation frequencies in springs and summers, the US continues to dominate the global pneumatic nailer and stapler market.

Due to the stabilized economic recovery in the U.S., construction market share and new housing trade, as well as the new housing construction rate, have all increased. However, the COVID-19 pneumonia has caused closures and slowed down the consumption in some regions. Subsequent demand is still unknown at this moment. The Company adopts a quality-first and fair price policy to seize more ODM opportunities in North America and exploit more retail channels. In times of economic depression, the Company extends business partnerships with clients to eliminate competition and expand market share.

In the future, the Company intends to achieve higher market share through new product sales, new retail channels, and a more solid customer base.

### **3. Competitive Advantages:**

- (1) As one of the leading manufacturers in global pneumatic fastening tools, the Company applies vertical integration to production in order to achieve low-cost offerings, mass production, and quality assurance.
- (2) Meet the demands for “smaller, customized production runs - with multi-design packaging” product offerings.
- (3) Augmenting key technology self-manufacturing rate, improving quality, and designing competitive product offerings to appeal to more clients from Europe and the USA to enable the Company to enhance business scope and scale.
- (4) Basso employs a professional business management team which has acquired an in-depth knowledge of market changes and industry trends and is capable of designing and implementing sustainable corporate strategies.

### **4. Favorable and unfavorable factors for long-term growth and response**

- (1) Favorable factors
  - A. The Company has acquired ISO9001 certification (Quality Assurance) and ISO14001 certification (Environmental Management), to ensure quality, delivery date, post-sales services, and makes commitments to take environmental conservation initiatives.
  - B. As one of the leading manufacturers in domestic fastening tool production and trade, the Company invests in automation equipment and facilities to increase productivity and efficacy. In so doing it improves its in-house manufacturing rate, while integrating its production to overcome future market expansions and diversified demands.
  - C. Introduce advanced aluminum and magnesium alloy die-casting machines

and computer processors to provide clients an integrated ONE-STOP-SHOP solution.

- D. The Company utilizes key fastening tools technology and produce self-manufactured products in corporate plants.
- E. Continue to develop other air tools, bicycle parts, 3C product parts.
- F. Manage key technologies such as mold development time and mold analysis to enhance production efficacy and product quality.

(2) Unfavorable factors

- A. Fierce market price war.
- B. Decrease in working hours and an increase in salary.
- C. Fierce price competition instigated by both domestic and Chinese manufacturers, has led to a reduction in gross profit.
- D. Major exchange rate swing has further affected price and profit.
- E. The COVID-19 pandemic and the recent Suez Canal incident have further added to the already difficult export market, which faces increasing delays, and/or cancelation of shipping, as a result of clogging at ports in Europe and America.

(3) Based on the above strength and weaknesses analysis, action plans and counter-measures have been introduced as follows:

- A. Design more innovative and professional industrial value-add products to prevent price-oriented competitions.
- B. Introducing new industrial designs and high-efficacy manufacturing facilities to increase production efficiency and integrate manufacturing process to lower production costs and improve quality, in order to overcome the price competitions in the future.
- C. Develop other air tools and bicycle parts to diversify product offerings and satisfy customer demands.

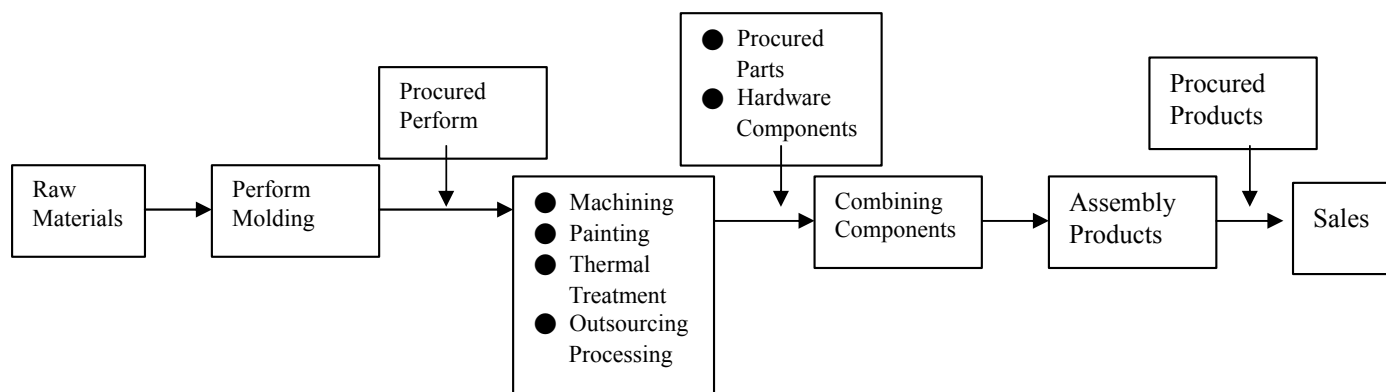
**(II) Major uses and production process of the primary products**

**1. Product Features & Functions:**

Products	Product Features & Functions:
Pneumatic Nailers, Gas Nailers High-pressure Pneumatic Nailers	Manufacturing and construction of various furniture, housing renovations, wooden houses, pallets, floors, wooden boxes
Automotive Air Tools, Impact Wrenches	The loosening and fastening of various automotive tires and engine screws
Air Saws	Pneumatic metal plate maintenance, metal plate cutting, construction hose cutting
Air Hammers	Rust removal, housing renovations, pneumatic metal plate cutting, hardware cutting

Products	Product Features & Functions:
Air Carton Closers	Seal cartons
Air Sanders	Wooden surface finish or car wax
Air Grinder	Engraving and metal surface grinding

## 2. Production Process:



### (III) Supply of Primary Raw Materials

Primary raw materials include aluminum ingots, magnesium ingots, metal materials, plastic injection products, aluminum die-casting products, magnesium die-casting products, investment casting, etc. and 95% of these which can be procured in Taiwan. Because the majority of the plants are located in Central Taiwan, due to its convenient location and accessible logistics delivery, the Company has secured long-term contracts and sound relationships with suppliers. Requirements for quality, delivery date, and costs exceed company standards and expectations. Primary raw material supply is on-time and in full, and no delays or disputes have been reported.

**(IV) Clients Whom Account for Over 10% of Total Net Annual Sales in the Last Two Years**

**1. Clients Whom Account for Over 10% of Total Net Annual Sales in the Last Two Years, Include Name, Amount, Percentage of Total Net Annual Sales, and Reasons Leading to Change:**

Unit: NT\$'000

**Major customer information for the last two years**

	2019				2020				AS of 2021 Q1 (Note 2)			
Item	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the current year as of the end of last quarter (%)	Relationship with the issuer
-	A	562,314	16.23	None	A	724,186	20.18	None	A	263,866	23.71	None
	-	-	-		-	-	-		-	-	-	-
	Net sales	3,464,083	100		Net sales	3,589,313	100		Net sales	1,112,782	100	

Note 1: Please specify the name and total trade amount of major clients that have accounted for at least 10% of sales in either of the past two years and the percentage against total sales. However, for those clients whose name cannot be disclosed according to the contract or the trade counterpart is a non-related party individual, a code name can be used instead.

Note 2: As of the publication date of this annual report, a company whose stock is listed on the TWSE or traded over the counter should disclose the most recent financial information audited or attested by a CPA.

**2. Vendors Who Account for Over 10% of Total Net Annual Purchases in the Last Two Years, Include Name, Amount, Percentage of Total Net Annual Purchases, and Reasons Leading to Change:**

➤ In 2019 and 2020, there were no vendors whose procurements account for over 10% of Total Net Annual Purchase.

**(V) Output volume and value for the last two years**

**Output Volume and Value in the Last Two Years**

Unit: NT\$'000

Year Output Volume and Value Primary Products	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Pneumatic nailers and other air tools	2,630,000	1,276,672	2,000,189	2,630,000	1,406,731	2,165,884
Total	2,630,000	1,276,672	2,000,189	2,630,000	1,406,731	2,165,884

Note 1: Capacity refers to the quantity that can be produced under normal operations using existing production equipment after the company has taken factors such as necessary downtime, holidays, etc. into consideration.

Note 2: If the product is substitutable, capacity can be jointly calculated and explained in the note.

**(VI) Sales Volume and Value for the Last Two Years**

**Sales Volume and Value for the Last Two Years**

Unit: NT\$'000

Year Sales volume Primary Products	2019				2020			
	Domestic sales		Export Sales		Domestic sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Pneumatic nailers and other air tools	10,845	28,404	1,255,169	2,715,480	7,843	25,245	1,383,383	2,806,484
Total	10,845	28,404	1,255,169	2,715,480	7,843	25,245	1,383,383	2,806,484

### III. Human Resources For The Most Recent Two Years And Up To The Date Of Publication Of The Annual Report

Item \ Year		2019	2020	As of March 31, 2021
No. of employees	Administration Personnel	242	274	279
	Sales Personnel	35	39	40
	Production Personnel	460	418	437
	Total	737	731	756
Average Years of Age		38.51	41.39	41.33
Average year of services		9.03	9.67	9.48
Educational background (%)	Masters	34	38	39
	Bachelor's degree	335	329	323
	Senior High	190	176	179
	Senior High or Below	178	188	215

Note: The annual data shall be updated as of the publication date of this annual report.

### IV. Disbursements for Environmental Protection

- The Company has designated dedicated personnel to handle matters regarding environmental management, offer strict plant controls on the disposal and emission of plant waste residues or pollutants. There has been no loss (including indemnity) or penalty incurred by an infringement of pollution and environment regulations, over the past two years and as of the publication date of this annual report.
- The Company has been approved by ROC-MOEA Bureau of Standards acquiring ISO14001 certification (Environmental Management) in April 2014.

### V. Labor Relations

#### (I) The Company's employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and employer and employees' rights and interests:

- Various employee benefit programs: The Welfare Committee is tasked with organizing employee benefit programs, emergency relief, holiday bonuses, and birthday gift certificates. Each year, the Company hosts company outings, health examinations, etc.
- Further education and training programs: At the end of each year, managerial-level supervisors from each department propose an annual training program which includes a standard procedure: submit applications, grant approval, and provide training, to be implemented by Human Resources based on actual demands. Human Resources and each department also host special training sessions to enrich employees' professional knowledge.
- Retirement pension policy: Company allocates retirement pension funding and has established a retirement pension supervisory committee offering a complete retirement benefit plan.

- Employer-employee agreements and labor rights: The Company has established a “Labor Relations Mediation Committee”. Employee representatives are appointed through nomination, voting, and election and designated to host regular labor relations mediation meetings which facilitate communications serving as a channel of communications for corporate policy or management guidelines, employee suggestions, and company feedbacks. An individual mailbox is set up by Human Resources to handle disputes. As of the publication date of this annual report, no labor disputes have been reported.

**(II) List the losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures. If the amount cannot be reasonably estimated, facts of which estimation cannot be made shall be explained:**

- The Company values and facilitates employer-employee communications and are therefore pleased to report that no such event occurred.

**(III) Work environment and protection for physical safety of workers.**

- The Company has set up “Environmental protection” Office and Labor Safety Office under President’s Office.

- Company has been approved by ROC-MOEA Bureau of Standards acquiring ISO14001 certification (Environmental Management) in April 2014.

1. Labor Safety and Hygiene Measures

a. Establishing Labor Safety and Hygiene Policy:

For the Company's consensus on safety and health measures, the Company shall revise the policy at any time according to social environment and labor regulations, so the safety and health management performance can be continuously improved.

- b. Risk evaluation and countermeasures: Regularly conduct quarterly labor safety and health promotion committee to review whether there are potential hazard factors in the plant area, or non-compliance with regulations, etc., and establish related management measures.

- c. Reducing occupational disasters: To effectively reduce occupational disasters, employees are regularly trained / provided with up-to-date regulations regarding hazard identification, danger prediction, and safe operating procedures. Hazardous mechanical equipment is regularly inspected, maintained, and automatically inspected; the chemicals in the plants are fully marked with their classifications, hazard diagrams and their material safety data sheets in clearly visible places.

- d. Workplace Environment Assessment: In accordance with the Labor Operating Environment Measurement and Implementation Measures, a qualified institution shall be appointed to implement workplace environment assessments pertaining to chemical analysis and physical measurement in workplace environments exposed to high-temperature, high-decibel noise, powder and dust, specific chemical material, organic solvent, and ionizing radiation in accordance with relevant law and regulations.

e. Labor health protection:

Set up nursing personnel of labor health services to perform health check、health management and the case tracking management of senior staff and junior staff, appropriate operations are assigned to the physical condition of the workers, and their health status is continuously tracked.

2. Workplace Safety Control

- a. Implement Labor Safety and Hygiene Policy by appointing labor safety and hygiene inspectors to supervise projects pertaining to overhead operations, organic solvents,



- electric operations, flaming operations, confined spaces, ionizing radiation, etc.
- b. Host regular inspections for high-risk exposure machinery and equipment. Operating personnel should acquire professional permits and attend regular training programs to ensure operating safety.
  - c. Follow up on disability-induced injuries, non-disability injuries, and false-reported incidents to make continuous improvements in eliminating toxic chemical and physical hazards.
  - d. Ensure safety on labor environment and vendors' plants premises and at nearby intersections by assigning guards to patrol traffic at plant entrances and exits. Promote personnel traffic safety awareness by penalizing driving misconducts and providing correction action plans and measures.
  - e. Designated safety and hygiene personnel should voluntarily inspect business activities on plant premises and take actions to correct and improve hazardous conducts and conditions. In the event of plant emergencies, provide auxiliary and relief support.
  - f. Labor Safety and Hygiene Office has implemented on-site supervisions for units with high-risk disability injuries by prioritizing crisis management and risk management, training programs, contractor management and purchase management, and safety procedures and auto inspections.

## **VI. Important Agreements**

- As of the date of publication of the annual report, the Company has preserved exiting or expired contracts in the most recent fiscal year, including supply/distribution contracts, technical partnership contracts, long-term loan contracts, engineering/construction contracts, and other contracts which would affect shareholders' equity.
- Supply/distribution contracts, technical partnership contracts, engineering/construction contracts, and other contracts which would affect shareholders' equity: None.

## Chapter 6 Financial Highlights

### I. Consolidated Balance Sheets and Income Statement 2016-2020

#### (I) Consolidated Balance Sheet

Unit: NT\$'000

ITEM \ Year		Financial Information 2016-2020 (Note 1)					As of March 31, 2021 - annual report (Note 3)
		2016	2017	2018	2019	2020	
Current assets		14,514,137	11,863,062	13,223,316	3,522,576	4,051,337	4,185,729
<u>Property, Plant and Equipment (Note 2)</u>		890,199	890,017	889,073	960,244	964,414	958,300
Intangible assets		8,749	27,737	22,693	16,831	16,949	15,338
Other assets (Note 2)		339,277	1,135,982	726,600	114,094	56,451	57,991
Total asset		15,752,362	13,916,798	14,861,682	4,613,745	5,089,151	5,217,358
Current liabilities	Before distribution	11,799,880	10,116,890	10,575,024	696,603	934,288	916,109
	After distribution	12,365,519	10,310,035	11,126,867	862,887	Undistributed	Undistributed
<u>Non-current liabilities</u>		254,216	818,072	458,074	36,195	37,929	36,959
Total liabilities	Before distribution	12,054,096	10,934,962	11,033,098	732,798	972,217	953,068
	After distribution	12,619,735	11,128,107	11,584,941	899,082	Undistributed	Undistributed
<u>Equity attributable to owners of the parent</u>		3,698,266	2,981,836	3,828,584	3,880,947	4,116,934	4,264,290
Capital		1,379,606	1,379,606	1,379,606	1,385,706	1,385,706	1,385,706
Capital reserve		305	305	593	26,396	26,667	26,667
Retained earnings	Before distribution	2,549,074	2,186,368	2,486,945	2,507,405	2,743,121	2,890,477
	After distribution	1,983,435	1,993,223	1,935,102	2,341,121	Undistributed	Undistributed
Other equity		(230,719)	(584,443)	(38,560)	(38,560)	(38,560)	(38,560)
Treasury stock		0	0	0	0	0	0
<u>Non-controlling interest</u>		0	0	0	0	0	0
Total equity	Before distribution	3,698,266	2,981,836	3,828,584	3,880,947	4,116,934	4,264,290
	After distribution	3,132,627	2,788,691	3,276,741	3,714,663	Undistributed	Undistributed

\* Companies having compiled a parent company only financial statement shall compile parent company only consolidated balance sheet and comprehensive income statement.

\* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: The fiscal years for which reports were not CPA audited or reviewed shall be noted. →The financial data for the most recent five years has been audited and attested by CPAs.

Note 2: Any cases of asset revaluation for the current year, the date of asset revaluation and the amount of asset revaluation shall be noted. → There was no asset revaluation.

Note 3: As of the publication date of this annual report, a company whose stock is listed on the TWSE or traded over the counter should disclose the most recent financial information audited or attested by a CPA.  
→Financial information for the fiscal quarter ended March 31, 2021, has been reviewed by CPAs.

Note 4: Please fill the figures based on the resolution passed by the shareholders' meeting in the following year.

Note 5: If the Company has been notified by the authority to self-correct or restate its financial reports, the restated figures should be compiled, along with the information and reasons for the restatement or corrections.

## (II) Consolidated Comprehensive Income Statement

Unit: NT\$'000

Item \ Year	Financial Information 2016-2020 (Note 1)					As of March 31, 2021 Financial information (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	4,056,397	3,836,257	3,733,320	3,464,083	3,589,313	1,112,782
Gross profit	1,265,699	1,113,859	1,117,939	985,478	908,948	278,286
Operating profit (loss)	917,770	772,701	725,010	576,509	551,381	185,150
Non-operating income and expenses	171,394	(535,903)	509,790	158,547	(29,681)	(955)
Net income before tax	1,089,164	236,798	1,234,800	735,056	521,700	184,195
Net income from continuing operations	949,844	203,973	1,031,765	573,554	406,950	147,356
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	949,844	203,973	1,031,765	573,554	406,950	147,356
Other comprehensive income (net, after tax)	(326,130)	(354,765)	7,840	(1,251)	(4,950)	-
Total comprehensive income	623,714	(150,792)	1,039,605	572,303	402,000	147,356
Net income attributable to owners of the parent	623,714	(150,792)	1,039,605	572,303	402,000	147,356
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent	623,714	(150,792)	1,039,605	572,303	402,000	147,356
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	6.88	1.48	7.48	4.15	2.94	1.06

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Note 1: The fiscal years for which reports were not CPA audited or reviewed shall be noted. →The financial data for the most recent five years has been audited and attested by CPAs.

Note 2: As of the publication date of this annual report, a company whose stock is listed on the TWSE or traded over the counter should disclose the most recent financial information audited or attested by a CPA. →Financial information for the fiscal quarter ended March 31, 2021, has been reviewed by CPAs.

Note 3: Loss from discontinued operations is shown in net amount after income tax.

Note 4: If the competent authority notified that the financial information is required to be corrected or restated, the financial information shall be presented with corrected or restated figures, and shall indicate the circumstances and reasons.

### (III) Consolidated Balance Sheet - Parent Company Only

Unit: NT\$'000

Item \ Year		Financial Information 2016-2020 (Note 1)					As of March 31, 2021Financial information (Note 3)
		2016	2017	2018	2019	2020	
Current assets		14,514,137	11,863,062	13,223,316	3,522,576	4,051,337	4,185,729
Property, Plant and Equipment (Note 2)		890,199	890,017	889,073	960,244	964,414	958,300
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Other equity		(230,719)	(584,443)	(38,560)	(38,560)	(38,560)	(38,560)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	3,698,266	2,981,836	3,828,584	3,880,947	4,116,934	4,264,290
	After distribution	3,132,627	2,788,691	3,276,741	3,714,663	Undistributed	Undistributed

\* Companies having compiled a parent company only financial statement shall compile parent company only consolidated balance sheet and comprehensive income statement.

\* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: The fiscal years for which reports were not CPA audited or reviewed shall be noted. → The financial data for the most recent five years has been audited and attested by CPAs.

Note 2: Any cases of asset revaluation for the current year, the date of asset revaluation and the amount of asset revaluation shall be noted. → There was no asset revaluation.

Note 3: Companies that are listed or their stock is trading on an over-the-counter market shall set out the information as of the quarter before the printing date of the annual report. Furthermore, state whether the financial information was either certified, audited by CPAs, or both. → Financial information for the fiscal quarter ended March 31, 2020, has been reviewed by CPAs.

Note 4: Please fill the figures based on the resolution passed by the shareholders' meeting in the following year.

Note 5: If the Company has been notified by the authority to self-correct or restate its financial reports, the restated figures should be compiled, along with the information and reasons for the restatement or corrections.

#### (IV) Consolidated Statement of Comprehensive Income – Parent Company Only

Unit: NT\$'000

Item \ Year	Financial Information 2016-2020 (Note 1)					As of March 31, 2021 Financial information (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	4,056,397	3,836,257	3,733,320	3,464,083	3,589,313	1,112,782
Gross profit	1,265,699	1,113,859	1,117,939	985,478	908,948	278,286
Operating profit (loss)	917,770	772,701	725,010	576,509	551,381	185,150
Non-operating income and expenses	171,394	(535,903)	509,790	158,547	(29,681)	(955)
Net income before tax	1,089,164	236,798	1,234,800	735,056	521,700	184,195
Net income from continuing operations	949,844	203,973	1,031,765	573,554	406,950	147,356
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	949,844	203,973	1,031,765	573,554	406,950	147,356
Other comprehensive income (net, after tax)	(326,130)	(354,765)	7,840	(1,251)	(4,950)	-
Total comprehensive income	623,714	(150,792)	1,039,605	572,303	402,000	147,356
Net income attributable to owners of the parent	623,714	(150,792)	1,039,605	572,303	402,000	147,356
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent	623,714	(150,792)	1,039,605	572,303	402,000	147,356
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	6.88	1.48	7.48	4.15	2.94	1.06

\* Companies having compiled a parent company only financial statement shall compile parent company only consolidated balance sheet and comprehensive income statement.

\* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: The fiscal years for which reports were not CPA audited or reviewed shall be noted. →The financial data for the most recent five years has been audited and attested by CPAs.

Note 2: Companies that are listed or their stock is trading on an over-the-counter market shall set out the information as of the quarter before the printing date of the annual report. Furthermore, state whether the financial information was either certified, audited by CPAs, or both. →Financial information for the fiscal quarter ended March 31, 2021, has been reviewed by CPAs.

Note 3: Loss from discontinued operations is shown in net amount after income tax.

Note 4: If the competent authority notified that the financial information is required to be corrected or restated, the financial information shall be presented with corrected or restated figures, and shall indicate the circumstances and reasons.

**(V) Names of Certified Public Accountant over the past five fiscal years and audit opinions**

**1. CPA Names and Audit Opinions**

Year	Name of the accounting firm	Name of CPAs	Audit opinion	Description
2016	KPMG Taiwan	Chun-Man, Chen & Tzu-Hsin, Chang	Unqualified opinion	
2017	KPMG Taiwan	Tzu-Hsin, Chang & Mei-Yi, Tseng	Unqualified opinion	
2018	KPMG Taiwan	Chun-Yuan. Wu & Shih-Hua, Kuo	Unqualified opinion	
2019	KPMG Taiwan	Chun-Yuan. Wu & Shih-Hua, Kuo	Unqualified opinion	
2020	KPMG Taiwan	Chun-Yuan. Wu & Shih-Hua, Kuo	Unqualified opinion	

**II. Financial Analyses 2016-2020**

**1. Financial Analysis - Consolidated**

Item (Note 3) \ Year (Note 1)		Financial information 2016-2020					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (%)	Ratio of liabilities to assets	76.52	78.57	74.24	15.88	19.10	18.27
	Ratio of long-term capital to property, plant and equipment	444.00	426.95	482.15	407.93	430.82	448.84
Debt service ability (%)	Current ratio	123.00	117.26	125.04	505.68	433.63	456.90
	Quick ratio	55.37	55.05	53.20	424.57	361.32	368.98
	Interest coverage ratio	10.94	3.24	13.08	10.42	-	-
Operating ability	Accounts receivable turnover rate (times)	4.93	4.93	4.46	4.61	4.80	4.53
	Average days for cash receipts	74.03	74.03	81.83	79.17	76.04	80.57
	Inventory turnover rate (times)	4.08	4.52	4.21	3.56	3.49	3.76
	Payables turnover rate (times)	8.18	7.31	7.99	6.41	5.51	5.69
	Average days for sale of goods	89.46	80.75	86.69	102.52	104.58	97.07
	Turnover rate for property, plant and equipment (times)	4.49	4.31	4.20	3.75	3.73	4.63
	Total asset turnover rate (times)	0.27	0.26	0.26	0.36	0.74	0.86
Profitability	Return on Assets (%)	6.83	1.97	7.74	6.53	8.39	11.44
	Return on Equity (%)	26.28	6.11	30.30	14.88	10.18	14.07
	Ratio of net profit on paid-up capital (%) (Note 7)	78.95	17.16	89.50	53.05	37.65	53.17
	Net profit ratio (%)	23.42	5.32	27.64	16.56	11.34	13.24
	Earnings per share (NT\$)	6.88	1.48	7.48	4.15	2.94	1.06

Cash flow	Cash flow ratio (%)	8.92	3.35	8.55	155.61	39.40	(63.61)
	Cash flow adequacy ratio (%)	143.73	115.97	134.89	147.90	136.92	72.69
	Cash reinvestment ratio (%)	10.45	(4.59)	12.14	9.0	3.24	(9.10)
Leverage	Operating leverage	2.07	2.33	2.25	2.72	2.52	1.81
	Financial leverage	1.14	1.16	1.16	1.16	1	1
Description of causes for changes to various financial ratios in the most recent two years: (analysis not required if the change is within 20%)							
1. The decrease in return on assets·return on equity·ration of net profit to paid-up capital·net profit ratio and EPS in 2020 compared to 2019 is due to converting USD deposits and treasury bonds to pay off NTD loans. Interest revenue decreased in 2020 resulting in the decrease in profit. 2. The increase in ratio of liabilities to assets in 2020 compared to 2019 is because we need to prepare more materials for product process under the growth of sales compared to 2019, so the payments was increased. 3. The decrease in cash flow ratio and cash reinvestment ratio in 2020 compared to 2019 is due to converting USD deposits and treasury bonds to pay off NTD loans.							

## 2. Financial analysis - Parent Company Only

Item (Note 3) \ Year (Note 1)		Financial information 2016-2020					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (%)	Ratio of liabilities to assets	76.52	78.57	74.24	15.88	19.10	18.27
	Ratio of long-term capital to property, plant and equipment	444.00	426.95	482.15	407.93	430.82	448.84
Debt service ability (%)	Current ratio	123.00	117.26	125.04	505.68	433.63	456.90
	Quick ratio	55.37	55.05	53.20	424.57	361.32	368.98
	Interest coverage ratio	10.94	3.24	13.08	10.42	-	-
Operating ability	Accounts receivable turnover rate (times)	4.93	4.93	4.46	4.61	4.80	4.53
	Average days for cash receipts	74.03	74.03	81.83	79.17	76.04	80.57
	Inventory turnover rate (times)	4.08	4.52	4.21	3.56	3.49	3.76
	Payables turnover rate (times)	8.18	7.31	7.99	6.41	5.51	5.69
	Average days for sale of goods	89.46	80.75	86.69	102.52	104.58	97.07
	Turnover rate for property, plant and equipment (times)	4.49	4.31	4.20	3.75	3.73	4.63
	Total asset turnover rate (times)	0.27	0.26	0.26	0.36	0.74	0.86
Profitability	Return on Assets (%)	6.83	1.97	7.74	6.53	8.39	11.44
	Return on Equity (%)	26.28	6.11	30.30	14.88	10.18	14.07
	Ratio of net profit on paid-up capital (%) (Note 7)	78.95	17.16	89.50	53.05	37.65	53.17
	Net profit ratio (%)	23.42	5.32	27.64	16.56	11.34	13.24
	Earnings per share (NT\$)	6.88	1.48	7.48	4.15	2.94	1.06



Cash flow	Cash flow ratio (%)	8.92	3.35	8.55	155.61	39.40	(63.61)
	Cash flow adequacy ratio (%)	143.73	115.97	134.89	147.90	136.92	72.69
	Cash reinvestment ratio (%)	10.45	(4.59)	12.14	9.0	3.24	(9.10)
Leverage	Operating leverage	2.07	2.33	2.25	2.72	2.52	1.81
	Financial leverage	1.14	1.16	1.16	1.16	1	1
Description of causes for changes to various financial ratios in the most recent two years: (analysis would not be required if the change is within 20%)							
1. The decrease in return on assets 、return on equity 、ratio of net profit to paid-up capital 、net profit ratio and EPS in 2020 compared to 2019 is due to converting USD deposits and treasury bonds to pay off NTD loans. Interest revenue decreased in 2020 resulting in the decrease in profit. 2. The increase in ratio of liabilities to assets in 2020 compared to 2019 is because we need to prepare more materials for product process under the growth of sales compared to 2019, so the payments was increased. 3. The decrease in cash flow ratio and cash reinvestment ratio in 2020 compared to 2019 is due to converting USD deposits and treasury bonds to pay off NTD loans.							

\* If the Company has prepared parent company only financial statements, it shall also prepare a parent company only financial ratio analysis.

\* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: The fiscal years for which reports were not CPA audited or reviewed shall be noted.

Note 2: As of the publication date of this annual report, a company whose stock is listed on the TWSE or traded over the counter should disclose the most recent financial information audited or attested by a CPA.

Note 3: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Financial structure
  - (1) Liability to asset ratio = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net amount of property, plant, and equipment.
2. Debt-paying capability
  - (1) Current ratio = Current assets/Current liabilities
  - (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
  - (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.
3. Business capability
  - (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
  - (2) Average collection days = 365/Receivables turnover rate.
  - (3) Inventory turnover = Cost of goods sold/Average inventory value.
  - (4) Payables turnover rate (including notes payable resulting from accounts payable and business operations) = Cost of good sold/Average accounts payable in various periods (including notes payable resulting from accounts payable and business operations).
  - (5) Average sales days = 365/Inventory turnover ratio.
  - (6) Property, Plant and Equipment Turnover = Net sales / Average of property, plant and equipment, net value.
  - (7) Total asset turnover ratio = Net sales/Average total PP&E value.
4. Profitability
  - (1) Return on assets (ROA) = [Net income after income tax + Interest expenses \* (1 - tax rate)]/Average total assets.
  - (2) Equity remuneration rate = Net income after tax/Average total equity value.
  - (3) Net profit ratio = Net income after tax/Net sales.
  - (4) Earnings Per Share (EPS) = (Gain (loss) attributable to the owner of the parent company -

Dividend for preferred shares)/Weighted average of issued shares (Note 4)

5. Cash flow volume

- (1) Cash flow ratio = Net cash from business activities/Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/(Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.
- (3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/(Gross amount of PP&E + Long-term investments + Other non-current assets + working capital). (Note 5)

6. Degree of leverage:

- (1) Degree of operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income (Note 6).
- (2) Degree of Financial Leverage (DFL) = Operating profit/(Operating profit - Interest expenditures).

Note 4: Special attention shall be paid to the following matters when using the formula of Earnings Per Share above:

1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.
3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflow to annual capital investment.
3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment value are measured at the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 7: In the case of a company whose shares have no par value or a par value other than NT\$10, any calculations that involve paid-in capital ratio shall be replaced with the equity ratio belonging to the owner of the parent company, as shown in the balance sheet.

### **III. 2020 Supervisors Review Report**

The Supervisors' Review Report of BASSO INDUSTRY CORP.

The Board of Directors has prepared the Company's 2020 Business Report, Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, all of which have been audited by the CPA firm. They have been determined to be correct by Supervisors. According to Article 219 of the Company Act, we hereby submit this report.

To

BASSO INDUSTRY CORP 2021 Annual Shareholders' Meeting

Supervisor: Wei-Ting Chang

March 26 2021

The Supervisors' Review Report of BASSO INDUSTRY CORP.

The Board of Directors has prepared the Company's 2020 Business Report, Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, all of which have been audited by the CPA firm. They have been determined to be correct by Supervisors. According to Article 219 of the Company Act, we hereby submit this report.

To

BASSO INDUSTRY CORP 2021 Annual Shareholders' Meeting

Supervisor: Hsiao-Ling Lin

March 26 2021

The Supervisors' Review Report of BASSO INDUSTRY CORP.

The Board of Directors has prepared the Company's 2020 Business Report, Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, all of which have been audited by the CPA firm. They have been determined to be correct by Supervisors. According to Article 219 of the Company Act, we hereby submit this report.

To

BASSO INDUSTRY CORP 2021 Annual Shareholders' Meeting

Supervisor: Tzu-Lin Yeh

March 26 2021

**IV. 2020 Annual Financial Statements and Audit Report of CPAs: Refer to Attachment 1 (#page 91-152#).**

**IV. Impact on the Financial Position of the Company and its Related Enterprises in the Most Recent Year and up to the Date of Printing of the Annual Report in Case of Financial Turnover Difficulties**  
→None.

# Chapter 7 Review and Analysis of Financial Position and Business Results and Risk Matters

## I. Review and Analysis of Financial Position

### Comparative Analysis of Financial Position

Unit: NT\$'000

Item \ Year	2019	2020	Difference	
			Amount	%
Current assets	3,522,576	4,051,337	528,761	15.01
Property, plant and equipment	960,244	964,414	4,170	0.43
Intangible assets	16,831	16,949	118	0.70
Other assets	114,094	56,451	(57,643)	(50.52)
Total asset value	4,613,745	5,089,151	475,406	10.30
Current liabilities	696,603	934,288	237,685	34.12
Non-current liabilities	36,195	37,929	1,734	4.79
Total liabilities	732,798	972,217	239,419	32.67
Share capital	1,385,706	1,385,706	--	--
Capital surplus	26,396	26,667	271	1.03
Retained earnings	2,507,405	2,743,121	235,716	9.40
Other equities	(38,560)	(38,560)	--	--
Treasury stock	--	--	--	--
Total shareholder equity	3,880,947	4,116,934	235,987	6.08

- (I) Item explanation of the Company's major changes in assets, liabilities and shareholders' equity over the latest two years (the change in the earlier and later period is more than 20%, and the change amount is NT\$10 million)
1. The decrease in other assets compared to the previous period was due to converting the USD deposits and treasury bonds to pay off NTD loans.
  2. The increase in current liabilities and total liabilities compared to the previous period was due to the increase in production and resulted in the increase in payments.

## II. Review and Analysis of Financial Performance

### (I) Comparative Analysis of Financial Performance

Unit: NT\$'000

Item \ Year	2019	2020	Increased (decreased) Amount	Percentage of Change %
Total operating revenue	3,487,783	3,621,689	133,906	3.84
Less: Sales Return	4,360	1,057	(3,303)	(75.76)
Sales allowance	19,340	31,319	11,979	61.94
Net operating revenue	3,464,083	3,589,313	125,230	3.62
Operating costs	2,478,605	2,680,365	201,760	8.14
Operating margin	985,478	908,948	(76,530)	(7.77)
Operating expenses	408,969	357,567	(51,402)	(12.57)
Operating profit	576,509	551,381	(25,128)	(4.36)
Non-operating revenue and expenses	158,547	(29,681)	(188,228)	(118.72)
Net Profit Before Tax on Continuing Operations	735,056	521,700	(213,356)	(29.03)
Income tax expenses	161,502	114,750	(46,752)	(28.95)
Net income	573,554	406,950	(166,604)	(29.05)
Current other comprehensive profit and loss (net amount after tax)	(1,251)	(4,950)	(3,699)	295.68
Current total comprehensive profit and loss	572,303	402,000	(170,303)	(29.76)

1. Analysis of the change in the proportion of increase or decrease (the change in the earlier and later period is more than 20%, and the change amount is NT\$ 10 million):
  - (1) Decrease in non-operating revenue and expenses 、 net profit before tax on continuing operations 、 net income and current total comprehensive profit and loss : due to converting the USD assets in 2019, resulted in the decrease in interest gain in 2020 compared to 2019.
  - (2) Decrease in income tax expenses: due to a decrease in net profit before tax.
2. The expected sales volume and its basis, the possible impact on the Company's future financial business and the contingency plan.
  - (1) Reasons for the change of main business contents of the Company (if the change is caused by the adjustment of price or cost, increase or decrease of production/marketing mix and quantity or replacement of old and new products); in the event of a material change in operating policy, market conditions, economic environment or other internal or external factors that has occurred or is expected to occur, the facts and implications of such a change and its possible impact on the Company's future financial business and its response plan: The Company still focuses on pneumatic nailers and pneumatic tools for automotive air tools, and continues to develop a series of corded and cordless to attract new customers and develop new products and expand market share.
  - (2) The COVID-19 pandemic has spread out across virtually every country, and although it has begun to stabilize in several key countries such as the USA and some of Europe, the World Health Organization (WHO) expects that epidemic will only fully come under control when people begin to accept the need for and take, the vaccination. This is forecasted to be largely complete by the end of this year (2021). During the past year, many people from America and Europe chose to move from downtown to the



countryside, so the orders coming from the construction tools sector are expected to remain high well into Q3. We further expect that automotive tool demand will rise toward the end of this year as the population resume travel (as the epidemic comes further under control). We may even see a boost to our sales when launching the new cordless products at the end of the this year. Therefore, we hold a cautious but optimistic attitude towards the revenue in 2021.

**(II) Analysis of Operating Margin Changes:**

Unit: NT\$'000

Items	Increment (Decrement) Change in the Earlier and Later Periods	Reasons for the Difference			
		Price Difference	Cost Price Difference	Sales Mix Difference	Amount Difference
Pneumatic Nailer and Automotive Air Tools	(68,397)	(222,951)	88,354	(23,569)	89,769
Other	(8,133)	-	-	-	-

Description: Operating gross profit for 2020 and 2019 was NT\$908,948 thousand and NT\$985,478 thousand respectively, a decrease of NT\$76,530 thousand. The operating gross profit for 2020 was 7.77% decreased.

**III. Cash Flow Analysis****(I) Cash Flow Analysis for the most recent years**

Item \ Year	2019	2020	Proportion of change %
Cash flow ratio (%)	155.61	39.40	(74.68)
Cash flow adequacy ratio (%)	147.90	136.92	(7.42)
Cash reinvestment ratio (%)	9	3.24	(64.00)

1. Analysis of the change in the proportion of increase or decrease:

The decrease in cash flow ratio and cash reinvestment ratio was due to converting the USD assets to pay off NTD loans in 2019.

2. Liquidity shortage improvement plan: The Company has sufficient working capital and there is no shortage of liquidity.

**(II) Analysis of Cash Liquidity in the Next Year**

Unit: NT\$'000

Beginning cash balance (1)	Expected net cash flow from operating activities throughout the year (2)	Expected cash outflow throughout the year (3)	Expected cash surplus (shortfall) amount (1)+(2)-(3)	Expected remedial measures for cash shortfall	
				Investment plan	Financial plan
544,445	920,000	850,000	614,445	-	-

**IV. The Impact of the Capital Expenditure in the Most Recent Year On the Financial Business**

➤ The Company had no significant capital expenditure for the construction of new plant in the recent year, but it needs to invest in the replacement of old equipment in the coming years.

**V. Investment Policies for the Most Recent Year, the Main Reasons for Profit**

## **or Loss, and Remedy and Investment Plans for the Coming Year**

➤The Company has had no investment in the past years, nor plans in the coming year, within this category.

## **VI. Analysis and Evaluation of Risk Events in the Most Recent Year and up to the Date of Printing of the Annual Report**

### **(I) Impacts on interest rate, fluctuation in exchange and inflation on corporate gains and losses and future countermeasures:**

➤As per the Company's comprehensive income statement for 2020, the interest income was NT\$16.69 million, while the loss on exchange was NT\$49.54 million. As of the first quarter of fiscal year 2021, interest income was NT\$2.44 million, the loss on exchange was NT\$4.42 million. The Company has sold all USD deposits and bonds in 2019 to pay off long-term loss on exchange and short-term loans. The Company has a sound financial structure and abundant self-owned funds. Moreover, the historical fluctuations in exchange rates that caused large fluctuations in profit and loss will be greatly reduced in the non-operating performance in 2021, which is more conducive to allowing the Company to focus on its own development.

### **(II) Policies on high-risk, highly leveraged investments, capital loans for others, endorsements, and derivative transactions, major causes of profits or losses and future countermeasures:**

➤The Company does not engaged in high-risk, highly leveraged investment, capital loans for others, and endorsements. The Company has a conservative policy regarding high-risk, highly leveraged investments, capital loans for others, endorsements, and derivative transactions, and will continue to do so in the future.

### **(III) Future R&D plans and expected R&D investments:**

#### **1. Future R&D plans:**

##### **(1) Development of innovative products:**

In addition to improving the quality of existing products, R&D continue to develop new products across a wide range or fields, facilitating the expansion of our customer base. By creating new market demand via higher product added value and longer product life cycle, Basso strives to continue its increase in volume and profitability.

##### **(2) Providing new product appearance:**

In order to make every customer brand clearly distinguishable in appearance, for both existing and future new, tailor-made products, Basso recruits only the best industrial design professions. This enables us to provide the best product appearance, ergonomics, packaging design and color scheme, making every Basso product even more attractive. Providing this module of family design and color plan, ensures continuous improvement of the product image in the future. This increased Industry Design capability facilitates greater brand recognition differentiation for various customers, helping them to gain more sales.

##### **(3) CAE (Computer Aided Engineering) performance improvement:**

In order to meet the diversified demand of innovative products in the future, improve design performance and reduce try-and-errors the, we will use different types of analysis software for various new functions, so as to fully support the relevant innovation work and increase the technical threshold of competition with the industry.

#### **2. Expected investment in research and development funds:**

To minimize erosion of our market share by the competition, continuous output of new products and value patents is necessary. This in turn necessitates the continuous investment in the related development and intellectual property maintenance costs. Consequently, Basso's CAD / CAE / industrial design /gear mechanism related software and equipment used in R&D are regularly updated to improve the development efficiency. The cost of being state of the art and using 'First Class methodologies' requires a similar investment in the training expenses for R&D personnel who need to maintain their position as first in class. The Company's expenditure on research and development has always been based on the principle of "must" and "necessity" and R&D investment is expected to account for about 2-4% of revenue.

### **(IV) The impact of important domestic and foreign policies and laws on the Company's financial business and countermeasures:**

➤In case of important policy and legal changes, we always discuss with accountants, stock agents and lawyers about the countermeasures immediately. In addition, if there are material differences, the financial

impact on the business will be disclosed in the financial statements.

➤Up to the date of publication of the annual report, there is no such situation.

**(V) Impact of technology changes on the Company's financial business and countermeasures:**

➤The Company is not affected by any change in technology to its financial business.

**(VI) Impact of corporate image change on corporate crisis management and countermeasures:**

➤The corporate image of the Company has not changed. The Company still takes "Honesty, Responsibility, Stability and Innovation" as its business philosophy, and there is no corporate crisis.

**(VII) Anticipated benefit, possible risks of the merger and acquisition and countermeasures:**

➤There is no merger or acquisition by the Company.

**(VIII) Anticipated efficiency, possible risks of the expanded plants and countermeasures:**

➤There was no plant expansion in 2020.

**(IX) Risks associated with the concentration of purchases or sales and countermeasures:**

➤There has been no concentration of the Company's purchase in the recent year. Likewise from a sales perspective, the percentage of sales customers to the Company's net operating revenue has been reduced to less than 10% except for one customer. There is no risk of concentration of sales under the expansion of new tools, new markets and new customers.

**(X) The impact and risk of a substantial transfer or replacement of the shares of Directors, Supervisors or major shareholders holding more than 10% of the shares on the Company, and countermeasures:**

➤The Company has no such situation.

**(XI) Impact of the change of management right on the Company, risks and countermeasures:**

➤The Company has no such situation.

**(XII) The Company and its Directors, Supervisors, President, substantial heads, major shareholders holding more than 10% of the shares of the Company and its subsidiaries shall be listed in the litigation or non-litigation and administrative disputes in which the Company has determined or is still in possession. Where the outcome may have a material impact on shareholders' equity or securities prices, it shall disclose the facts of the dispute, the target amount, the commencement date of the lawsuit, the major litigants involved and the disposition as of the date of publication of the annual report:**

➤The Company has no such situation.

**(XIII) Other important risks and countermeasures:**

**1. Information security risk: The Company has a clear policy on cyber security: strict control and management of information security rights and responsibilities, education and training, information security operations and network security protection and management, and system access control are as follows:**

(1) The Company has strict control over the login account permissions and file access permissions of each system, and non-related personnel are prohibited from using them to ensure the safety of the Company's data.

(2) Symantec SEP antivirus software is installed on the user's computer to prevent computer virus.

(3) USB external storage device use permissions have set permissions control and records, non-users cannot

connect to the USB external storage device in order to avoid the risk of data breach.

(4) Implement disaster recovery drills for network hard disks and systems, and establish backup and remote backup of database systems such as ERP, EIP, and automatic storage to ensure rapid recovery of the system environment when disasters occur and maintain the Company's normal operation.

(5) Build firewall equipment and set up defense policies and VPNs, block access to the Company's internal network without permission, and have an IPS intrusion prevention system to protect against hacker attacks.

(6) Regularly participate in information security education and training to improve the information security capabilities of information personnel and ensure Company's information security.

**2. Other important risks and countermeasures:** None

**VII. Other Important Matters:** ➤None.

## **Chapter 8 Special Notes**

### **I. Information on Affiliated Companies:**

#### **(I) Consolidated Business Report of Affiliated Companies**

##### **1. Overview of Affiliated Companies:**

The Company does not have affiliated companies.

#### **(II) Consolidated Financial Statements of Affiliated Companies**

The Company is not required to prepare consolidated financial statements of affiliated companies.

### **II. In 2020 and up to the Printing Date of the Annual Report, the Handling of Private Placement of Securities and the Use of Funds, the Progress of Plan Implementation and the Appearance of Plan Benefits: None.**

### **III. Holding or Disposal of the Company's Shares by Subsidiaries in 2020 and up to the Printing Date of the Annual Report: None.**

### **IV. Other Necessary Supplementary Information: None.**

## **Chapter 9 Events that have a Significant Impact on Shareholders' Equity or Securities Prices in the Most Recent Year up to the Printing Date of the Annual Report: None.**

## **Independent Auditors’ Report**

To the Board of Directors of Basso Industry Corporation:

### **Opinion**

We have audited the financial statements of Basso Industry Corporation ( “the Company” ), which comprise the balance sheets as of December 31, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( “IFRSs” ), International Accounting Standards ( “IASs” ). Interpretations developed by the International Financial Reporting Interpretations Committee ( “IFRIC” ) or the former Standing Interpretations Committee ( “SIC” ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( “the Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### **1. Revenue recognition**

For the accounting policies relating to revenue recognition, please refer to Note 4 (m).

#### Description of key audit matter:

Part of the sales of the Company is subject to various sales terms of discount, return, warranty (according to the contract) or consignment transactions based on contractual agreements or commercial practices, which may result in an error in revenue recognition. Therefore, the test of revenue recognition is one of our key audit matters.

#### How the matter was addressed in our audit

Our principal audit procedures included testing the effectiveness of design and implementation of the internal control for sales and collection cycle. Assessing whether recognition of revenue has been handled in accordance with the relevant regulations by acquiring and verifying the sales contracts and external purchase orders of major customers. Understanding the sales revenue of the top ten customers by comparing that of last year to assess whether there are any major abnormalities. Random sampling of sales during the period before and after the cut-off date, and checking the relevant documents to assess the accuracy of the timing of revenue recognition to understand whether there is any major sales return after the period.

## 2. Inventory evaluation

For the accounting policies of inventories, please refer to Note 4 (g); For the accounting estimates and assumptions uncertainty of inventory evaluation, please refer to Note 5; For the description of the inventory evaluation, please refer to Note 6(e).

#### Description of key audit matter:

The inventory of the Company is measured by the lower of cost and net realizable value. In recent years, the global market has become more volatile, which has led to an increase in the market demand for pneumatic nailing machines. The competition in the global market is fierce, prompting the design and manufacturing technology of pneumatic nailing machines to advance rapidly, resulting in the original products to be outdated or no longer meet market demand such as the needs of European and American brand manufacturers, as well as individual consumers. Sales of related products may fluctuate drastically, so there is a risk that the cost of the inventory may exceed its net realizable value. Therefore, the inventory evaluation is considered as one of our key audit matters.

#### How the matter was addressed in our audit

The main audit procedures for the above key audit matter include assessing the reasonableness of the inventory evaluation accounting policy. Reviewing the inventory aging report, analyzing the change in aging inventory, and evaluating whether the inventory evaluation has been handled according to accounting policies. Understanding and assessing the reasonableness of the net realizable value basis adopted by the management, selecting samples, and checking the relevant documents to ensure the accuracy of the amounts; as well as assessing whether the management's disclosure of the relevant inventory evaluation is fair and sufficient.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan Wu and Shyh-Huar Kuo.

KPMG

Taipei, Taiwan (Republic of China)

March 26, 2021

#### **Notes to Readers**

*The accompanying financial statements are intended only to present the financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.*

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
BASSO INDUSTRY CORPORATION

Balance Sheets

December 31, 2020 and 2019

(expressed in Thousands of New Taiwan dollars)

Assets	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6 (a))	\$ 544,445	11	542,488	12	Notes payable	\$ 6,369	-	6,004	-
Notes receivable, net (note 6(c))	9,739	-	12,450	-	Accounts payable	417,221	8	238,797	5
Accounts receivable, net (note 6 (c))	884,776	18	576,904	13	Other payables	396,059	8	374,218	8
Other receivables (note 6 (d))	11,854	-	8,811	-	Contract liabilities (note 6(o))	35,963	1	71,040	2
Current income tax assets	102,133	2	101,953	2	Current income tax liabilities	73,048	1	-	-
Inventories (note 6 (e))	664,240	13	550,959	12	Provisions	4,260	-	5,020	-
Other current financial assets (note 6 (h))	1,799,700	35	1,700,000	37	Other current liabilities	1,368	-	1,524	-
Other current assets (note 6 (h))	34,450	1	29,011	1		934,288	18	696,603	15
	4,051,337	80	3,522,576	77	<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>					Defined benefit liabilities, net (note 6 (k))	37,929	1	36,195	1
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	10	-	10	-		37,929	1	36,195	1
Property, plant and equipment (note 6 (f))	964,414	19	960,244	20	<b>Total liabilities</b>	972,217	19	732,798	16
Intangible assets (note 6 (g))	16,949	-	16,831	-	<b>Equity attributable to owners: (note 6 (m))</b>				
Deferred tax assets (note 6 (l))	36,054	1	76,509	2	Ordinary share	1,385,706	27	1,385,706	30
Other non-current assets (note 6 (h))	20,387	-	37,575	1	Capital surplus	26,667	1	26,396	1
	1,037,814	20	1,091,169	23	Retained earnings	2,743,121	54	2,507,405	54
					Other equity	(38,560)	(1)	(38,560)	(1)
					<b>Total equity</b>	4,116,934	81	3,880,947	84
<b>Total assets</b>	<b>\$ 5,089,151</b>	<b>100</b>	<b>4,613,745</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 5,089,151</b>	<b>100</b>	<b>4,613,745</b>	<b>100</b>

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**BASSO INDUSTRY CORPORATION**

**Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

**(expressed in Thousands of New Taiwan dollars , except for earnings per share)**

	2020		2019	
	Amount	%	Amount	%
4110 <b>Operating revenues</b>	\$ 3,621,689	101	3,487,783	101
4170 Sales returns	1,057	-	4,360	-
4190 Sales allowances	31,319	1	19,340	1
<b>Net operating revenues (note 6 (o))</b>	<b>3,589,313</b>	<b>100</b>	<b>3,464,083</b>	<b>100</b>
5000 <b>Operating costs (note 6 (e),(g), (k) and (p))</b>	<b>2,680,365</b>	<b>75</b>	<b>2,478,605</b>	<b>72</b>
<b>Gross profit from operations</b>	<b>908,948</b>	<b>25</b>	<b>985,478</b>	<b>28</b>
<b>Operating expenses (note 6 (g), (k) and (p))</b>				
6100 Selling expenses	104,546	3	137,939	4
6200 Administrative expenses	87,915	2	92,287	3
6300 Research and development expenses	174,562	5	178,743	5
6450 Impairment gain	(9,456)	-	-	-
	<b>357,567</b>	<b>10</b>	<b>408,969</b>	<b>12</b>
<b>Net operating income</b>	<b>551,381</b>	<b>15</b>	<b>576,509</b>	<b>16</b>
<b>Non-operating income and expenses (note 6 (q))</b>				
7100 Interest income	16,690	-	311,962	9
7020 Other gains and losses, net	(46,371)	(1)	(75,383)	(1)
7050 Finance costs	-	-	(78,032)	(2)
	<b>(29,681)</b>	<b>(1)</b>	<b>158,547</b>	<b>6</b>
7900 <b>Profit (loss) from continuing operations before tax</b>	<b>521,700</b>	<b>14</b>	<b>735,056</b>	<b>22</b>
7950 <b>Less: Income tax expenses (note 6 (l))</b>	<b>114,750</b>	<b>3</b>	<b>161,502</b>	<b>4</b>
<b>Profit</b>	<b>406,950</b>	<b>11</b>	<b>573,554</b>	<b>18</b>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(4,950)	-	(1,251)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>(4,950)</b>	<b>-</b>	<b>(1,251)</b>	<b>-</b>
8300 <b>Other comprehensive income, net</b>	<b>(4,950)</b>	<b>-</b>	<b>(1,251)</b>	<b>-</b>
<b>Comprehensive income</b>	<b>\$ 402,000</b>	<b>11</b>	<b>572,303</b>	<b>18</b>
<b>Basic earnings per share (NT dollars) (note 6(n))</b>	<b>\$ 2.94</b>		<b>4.15</b>	
<b>Diluted earnings per share (NT dollars) (note 6(n))</b>	<b>\$ 2.92</b>		<b>4.13</b>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**BASSO INDUSTRY CORPORATION**

**Statements of Changes in Equity**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan dollars)**

	Retained earnings						Total other equity interest Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		
<b>Balance at January 1, 2019</b>	\$ 1,379,606	593	699,738	584,443	1,202,764	2,486,945	(38,560)	3,828,584
Profit for the year ended December 31, 2019	-	-	-	-	573,554	573,554	-	573,554
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(1,251)	(1,251)	-	(1,251)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	572,303	572,303	-	572,303
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	103,177	-	(103,177)	-	-	-
Special reserve	-	-	-	38,560	(38,560)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(551,843)	(551,843)	-	(551,843)
Other changes in capital surplus	-	-	-	(584,443)	584,443	-	-	-
Employee compensation transfer to common stock	6,100	25,803	-	-	-	-	-	31,903
<b>Balance at December 31, 2019</b>	<b>\$ 1,385,706</b>	<b>26,396</b>	<b>802,915</b>	<b>38,560</b>	<b>1,665,930</b>	<b>2,507,405</b>	<b>(38,560)</b>	<b>3,880,947</b>
<b>Balance at January 1, 2020</b>	\$ 1,385,706	26,396	802,915	38,560	1,665,930	2,507,405	(38,560)	3,880,947
Profit for the year ended December 31, 2020	-	-	-	-	406,950	406,950	-	406,950
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(4,950)	(4,950)	-	(4,950)
Comprehensive income for the year ended December 31, 2020	-	-	-	-	402,000	402,000	-	402,000
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	57,355	-	(57,355)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(166,284)	(166,284)	-	(166,284)
Other changes in capital surplus	-	271	-	-	-	-	-	271
<b>Balance at December 31, 2020</b>	<b>\$ 1,385,706</b>	<b>26,667</b>	<b>860,270</b>	<b>38,560</b>	<b>1,844,291</b>	<b>2,743,121</b>	<b>(38,560)</b>	<b>4,116,934</b>

**BASSO INDUSTRY CORPORATION****Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(expressed in Thousands of New Taiwan dollars)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 521,700	735,056
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	122,430	99,638
Amortization expense	11,419	14,260
Expected credit gain reversal of provision for bad debt expense	(9,456)	-
Net loss on financial assets at fair value through loss	-	29,184
Interest expense	-	78,032
Interest revenue	(16,690)	(311,962)
Loss (gain) on disposal of property, plant and equipment	(1,139)	237
<b>Total adjustments to reconcile profit</b>	<u>106,564</u>	<u>(90,611)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	2,711	(2,592)
(Increase) decrease in accounts receivable	(298,416)	305,532
(Increase) decrease in other receivables	(2,073)	177
Increase in inventories	(126,345)	(17,931)
Increase in other current assets	(5,439)	(2,203)
<b>Changes in operating assets</b>	<u>(429,562)</u>	<u>282,983</u>
<b>Changes in operating liabilities:</b>		
(Decrease) increase in contract liability	(35,077)	27,788
Increase (decrease) in notes payable	365	(2,016)
Increase (decrease) in accounts payable	178,424	(32,005)
Increase (decrease) in other payable	15,507	(12,150)
Decrease in provisions	(760)	(1,397)
(Decrease) increase in other current liabilities	(156)	263
Decrease in net defined benefit liability	(3,216)	(3,130)
<b>Changes in operating liabilities</b>	<u>155,087</u>	<u>(22,647)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(274,475)</u>	<u>260,336</u>
<b>Total adjustments</b>	<u>(167,911)</u>	<u>169,725</u>
Cash inflow generated from operations	353,789	904,781
Interest received	15,720	474,977
Interest paid	-	(87,256)
Income taxes paid	(1,427)	(208,484)
<b>Net cash flows from operating activities</b>	<u>368,082</u>	<u>1,084,018</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	3,726,646
Acquisition of property, plant and equipment	(12,960)	(23,219)
Proceeds from disposal of property, plant and equipment	1,720	3,741
Acquisition of intangible assets	(11,537)	(8,398)
(Increase) decrease in other financial assets	(99,700)	6,348,476
Decrease (increase) in other non-current assets	282	(168)
Increase in prepaid equipment	(77,917)	(140,032)
<b>Net cash flows from (used in) investing activities</b>	<u>(200,112)</u>	<u>9,907,046</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	-	650,000
Repayments of short-term borrowings	-	(9,643,000)
Increase in long-term borrowings	-	50,000
Repayments of long-term borrowings	-	(1,239,000)
Unclaimed overdue dividends transferred to capital surplus	271	-
Cash dividends paid	(166,284)	(551,843)
Employee compensation transferred to common stock	-	31,903
<b>Net cash flows from (used in) financing activities</b>	<u>(166,013)</u>	<u>(10,701,940)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>1,957</u>	<u>289,124</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>542,488</u>	<u>253,364</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 544,445</u>	<u>542,488</u>

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**BASSO INDUSTRY CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(expressed in Thousands of New Taiwan dollars, Unless Otherwise Specified)**

**(1) Company history**

Basso Industry Corporation (the “Company”) was incorporated on July 2, 1983 as a Group limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 24, 36th Rd., Taichung Industrial Park, Taichung, 40768 Taiwan, R.O.C. The Company primarily is involved in the manufacturing and selling of penumatic nailers and automotive air tools.

**(2) Approval date and procedures of the financial statements**

The financial statements were authorized for issue by the Board of Directors on March 26, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. ( “FSC” ) which have already been adopted.

The Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”



## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(4) Summary of significant accounting policies**

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

##### **(a) Statement of compliance**

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C..

##### **(b) Basis of preparation**

###### **(i) Basis of measurement**

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

###### **(ii) Functional and presentation currency**

The functional currency of each Group is determined based on the primary economic environment in which the entities operates. The financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

##### **(c) Foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

- (i) An investment in equity securities designated as at fair value through other comprehensive income;
  - (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
  - (iii) qualifying cash flow hedges to the extent that the hedges are effective.
- (d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed , in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
  - (ii) It is held primarily for the purpose of trading;
  - (iii) It is due to be settled within twelve months after the reporting period; or
  - (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.
- (e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(f) Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### **(i) Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### **1) Financial assets measured at amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

##### **2) Fair value through other comprehensive income (FVOCI )**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### **3) Impairment of financial assets**

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than a year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor' s, Baa3 or higher per Moody' s or twA or higher per Taiwan Ratings' .

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Certificate deposits held by the company, the transaction target and other parties are financial institutions with investment grade and above, so they are deemed to have low credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than a year past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### **4) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### **(ii) Financial liabilities and equity instruments**

##### **1) Classification of debt or equity**

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### **2) Equity instrument**

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### **3) Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **4) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(g) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

#### **(h) Property, plant and equipment**

##### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### **(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### **(iii) Depreciation**

Depreciation is calculated on the cost of an asset, less, its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- 1) buildings and structures: 2~57 years
- 2) machinery and equipment: 2~21 years
- 3) other equipment: 2~21 years

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

Buildings and structures constitute mainly of building and building repair project. Each such part depreciates based on its useful life of 51~57 years and 2~56 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

#### **(i) Lease**

##### **Identifying a lease**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset throughout the period of use only if either:

- (1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- (2) the relevant decisions about how and for what purpose the asset is used are predetermined and:

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use

#### **(j) Intangible assets**

##### **(i) Research and measurement**

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Capital developed expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.



## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software: 1~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and ) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or Company of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(l) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Warranties liability provisions are recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### **(m) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

##### **1) Sale of goods**

The Company manufactures and sells nail machine and pneumatic tools. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

##### **2) Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

#### **(n) Employee benefits**

##### **(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are expensed during which services are rendered by employees.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(ii) Defined benefit plans**

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **(iii) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **(o) Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

#### **(p) Earnings per share**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding, after adjustment, for the effects of all dilutive potentially ordinary shares, such as employee compensation.

#### **(q) Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). The Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance reviews operating results of the operating segment. Each operating segment consists of standalone financial information.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in the accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6 (e) for further description of the valuation of inventories.

The Company's accounting policies and disclosures include measuring financial and non financial assets and liabilities at fair value through profit or loss.

The Company establishes relevant internal control system for Fair value measuring. That include responsible for reviewing all significant fair value measurements (including level 3 fair values) by the financial management department , and reporting to management directly . The Company's financial department regularly review significant unobservable input values and adjustments.If the input value is used to measure the fair value of the use of external third-party information(such as broker or pricing service) The financial management department will evaluate evidence of support inputs provided by third-parties to ensure that the fair value level classification and evaluation in line with the provisions of IFRS.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(r) for assumptions used in measuring fair value.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

#### (6) Explanation of significant accounts

##### (a) Cash and Cash Equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 771	740
Demand deposits and time deposits	494,605	480,672
Foreign currency deposits	49,069	61,076
Cash and cash equivalents	<b><u>\$ 544,445</u></b>	<b><u>542,488</u></b>

Please refer to note 6(r) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

##### (b) Financial assets at fair value through other comprehensive income

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Equity investments at fair value through other comprehensive income</b>		
Domestic unlisted stock-COTA Commercial bank	\$ 10	10
Domestic unlisted stock-GATETECH technology Inc.	-	-
Total	<b><u>\$ 10</u></b>	<b><u>10</u></b>

No strategic investments were disposed during 2020 and 2019, there were no transfers of any cumulative gain or loss within equity relating to these investments.

For market risk, please refer to note 6 (r).

As of December 31, 2020 and 2019, none of the financial assets at fair value through other comprehensive income of the Company had been pledged as collateral for long-term borrowings.

##### (c) Note and accounts receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Note receivables—measured as amortized cost	\$ 9,739	12,450
Accounts receivables—measured as amortized cost	886,609	588,193
Less: Loss allowances	(1,833)	(11,289)
	884,776	576,904
	<b><u>\$ 894,515</u></b>	<b><u>589,354</u></b>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 776,873	- %	-
1 to 90 days past due	116,224	- %	-
181 to 365 days past due	3,251	56.38%	1,833
<b>Total</b>	<b>\$ 896,348</b>		<b>1,833</b>

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 538,472	- %	-
1 to 90 days past due	59,422	14.37%	8,540
91 to 180 days past due	2,060	100%	2,060
More than a year past due	689	100%	689
<b>Total</b>	<b>\$ 600,643</b>		<b>11,289</b>

The movement in the allowance for notes and accounts receivables was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 11,289	11,292
Impairment losses reversed	(9,456)	(3)
<b>Balance on December 31</b>	<b>\$ 1,833</b>	<b>11,289</b>

The Company does not hold any collateral for the collectible amounts.

For further credit risk information, please refers to note 6 (r).

(d) Other receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivable—interests receivable	\$ 2,779	1,809
Others	9,075	7,002
Less: Loss allowance	-	-
	<b>\$ 11,854</b>	<b>8,811</b>

For further credit risk information, please refers to note 6 (r).

# BASSO INDUSTRY CORPORATION

## Notes to the Financial Statements

(e) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Finished goods	\$ 133,823	103,333
Work in progress	323,457	252,878
Raw materials	206,960	194,743
Commodity	-	5
	<b><u>\$ 664,240</u></b>	<b><u>550,959</u></b>

As of December 31, 2020 and 2019, the detail of the cost of sales were as follows:

	<b>For the years ended December 31 2020</b>	<b>2019</b>
Inventory that has been sold	\$ 2,698,351	2,480,720
Inventory valuation decline losses	7,394	18,301
Losses on disposal of scrap	11,269	10,012
Gains on disposal of miscellaneous	(34,476)	(27,177)
Warranty provision	(760)	(1,397)
Others	(1,413)	(1,854)
	<b><u>\$ 2,680,365</u></b>	<b><u>2,478,605</u></b>

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<b>Land</b>	<b>Buildings and Structures</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>					
Balance at January 1, 2020	\$ 305,349	667,373	1,850,912	147,612	2,971,246
Additions	-	1,137	13,989	4,168	19,294
Disposals	-	(1,712)	(29,222)	(9,547)	(40,481)
Reclassification	-	130	101,690	6,067	107,887
Balance at December 31, 2020	<b><u>\$ 305,349</u></b>	<b><u>666,928</u></b>	<b><u>1,937,369</u></b>	<b><u>148,300</u></b>	<b><u>3,057,946</u></b>
Balance at January 1, 2019	\$ 305,349	665,631	1,816,582	167,587	2,955,149
Additions	-	2,554	17,072	7,396	27,022
Disposals	-	(6,767)	(116,453)	(35,470)	(158,690)
Reclassification	-	5,955	133,711	8,099	147,765
Balance at December 31, 2019	<b><u>\$ 305,349</u></b>	<b><u>667,373</u></b>	<b><u>1,850,912</u></b>	<b><u>147,612</u></b>	<b><u>2,971,246</u></b>

**Depreciation and impairment  
loss :**



## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	293,178	1,600,738	117,086	2,011,002
Depreciation for the year	-	18,896	93,617	9,917	122,430
Disposals	-	(1,642)	(28,711)	(9,547)	(39,900)
Balance at December 31, 2020	<u>\$ -</u>	<u>310,432</u>	<u>1,665,644</u>	<u>117,456</u>	<u>2,093,532</u>
Balance at January 1, 2019	\$ -	281,386	1,641,432	143,258	2,066,076
Depreciation for the year	-	18,559	72,267	8,812	99,638
Disposals	-	(6,767)	(112,961)	(34,984)	(154,712)
Balance at December 31, 2019	<u>\$ -</u>	<u>293,178</u>	<u>1,600,738</u>	<u>117,086</u>	<u>2,011,002</u>
<b>Carrying amounts:</b>					
Balance at December 31, 2020	<u>\$ 305,349</u>	<u>356,496</u>	<u>271,725</u>	<u>30,844</u>	<u>964,414</u>
Balance at January 1, 2019	<u>\$ 305,349</u>	<u>384,245</u>	<u>175,150</u>	<u>24,329</u>	<u>889,073</u>
Balance at December 31, 2019	<u>\$ 305,349</u>	<u>374,195</u>	<u>250,174</u>	<u>30,526</u>	<u>960,244</u>

As of December 31, 2020, the Company did not provide the property, plant and equipment as collateral for its loans.

As of December 31, 2019, the property, plant and equipment of the Company had been pledged as collateral for borrowings; please refer to Note 8.

(g) Intangible Assets

The costs of intangible assets, amortization, and impairment loss of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<u>Computer software</u>
<b>Costs:</b>	
Balance at January1, 2020	\$ 35,335
Additions	11,537
Disposals	<u>(8,398)</u>
Balance at December 31, 2020	<u>\$ 38,474</u>
Balance at January1, 2019	\$ 40,749
Additions	8,398
Disposals	<u>(13,812)</u>
Balance at December 31, 2019	<u>\$ 35,335</u>

# BASSO INDUSTRY CORPORATION

## Notes to the Financial Statements

	<u>Computer software</u>
<b>Amortization and Impairment Loss:</b>	
Balance at January1, 2020	\$ 18,504
Amortization for the year	11,419
Disposals	<u>(8,398)</u>
Balance at December 31, 2020	<u><b>\$ 21,525</b></u>
Balance at January1, 2019	\$ 18,056
Amortization for the year	14,260
Disposals	<u>(13,812)</u>
Balance at December 31, 2019	<u><b>\$ 18,504</b></u>
<b>Carrying amounts:</b>	
Balance at December 31, 2020	<u><b>\$ 16,949</b></u>
Balance at January 1, 2019	<u><b>\$ 22,693</b></u>
Balance at December 31, 2019	<u><b>\$ 16,831</b></u>

(i) Amortization

The amortizations of intangible assets were included in the statement of comprehensive income:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 2,371	2,433
Operating expenses	<u>9,048</u>	<u>11,827</u>
	<u><b>\$ 11,419</b></u>	<u><b>14,260</b></u>

(ii) Disclosures on pledges

As of December 31, 2020 and 2019, none of the intangible assets of the Company had been pledged as collateral.

(h) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets-current	\$ 1,799,700	1,700,000
Prepayment for equipment	18,834	35,740
Refundable deposits	1,509	1,509
Other-current	34,450	29,011
Other-non current	<u>44</u>	<u>326</u>
	<u><b>\$ 1,854,537</b></u>	<u><b>1,766,586</b></u>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Unused short-term credit lines	<u>\$ 200,000</u>	<u>6,250,000</u>

For the collateral for short-term borrowings, please refer to note 8.

(j) Long-term borrowings

The details were as follows:

	December 31, 2019			
	Currency	Rate	Maturity year	Amount
Secured bank loans	NTD	-	-	<u>\$ 2,000,000</u>

For the collateral for long-term borrowings, please refer to note 8.

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 147,028	138,766
Fair value of plan assets	(109,099)	(102,571)
Net defined benefit liabilities	<u>\$ 37,929</u>	<u>36,195</u>

The Company's employee benefit liabilities were as follows:

	December 31, 2020	December 31, 2019
Short-term paid leave liability	<u>\$ 13,649</u>	<u>13,072</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to 109,099 thousands at the report date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 138,766	132,560
Current service costs and interest costs	2,097	2,309
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	1,083	(814)
Actuarial loss (gain) arising from:		
— demographic assumptions	656	1,452
— financial assumptions	6,534	4,014
Benefits paid	(2,108)	(755)
Balance, December 31	<u><u>\$ 147,028</u></u>	<u><u>138,766</u></u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 102,571	94,486
Interest income	774	957
Remeasurements loss (gain):		
-Return on plan assets excluding interest income	3,322	3,401
Amount that has been allocated to the plan	4,540	4,482
Benefits paid	(2,108)	(755)
Balance, December 31	<u><u>\$ 109,099</u></u>	<u><u>102,571</u></u>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 1,068	993
Net interest of net liabilities for defined benefit obligations	255	359
	<u><b>\$ 1,323</b></u>	<u><b>1,352</b></u>
Operating cost	\$ 877	897
Selling expenses	47	48
Administration expenses	178	186
Research and development expenses	221	221
	<u><b>\$ 1,323</b></u>	<u><b>1,352</b></u>

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company' s remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ (54,723)	(53,472)
Recognized during the period	(4,950)	(1,251)
Accumulated amount at December 31	<u><b>\$ (59,673)</b></u>	<u><b>(54,723)</b></u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.35%	0.75%
Increase in future salary rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is 4,394 thousands.

The weighted average lifetime of the defined benefits plans is 11 years.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2020		
Discount rate	\$ (4,159)	4,329
Future salary increasing rate	4,247	(4,103)
December 31, 2019		
Discount rate	(4,074)	4,246
Future salary increasing rate	4,183	(4,035)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to 15,872 thousands and 15,527 thousands for the years ended December 31, 2020 and 2019, respectively.

# BASSO INDUSTRY CORPORATION

## Notes to the Financial Statements

### (l) Income Taxes

#### 1. Income taxes

The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 63,274	-
Adjustment for prior periods	(180)	-
Additional tax on undistributed earnings	11,200	15,048
	<u>74,294</u>	<u>15,048</u>
Deferred tax expense		
Origination and reversal of temporary differences	40,456	146,454
Tax expenses	<u><b>\$ 114,750</b></u>	<u><b>161,502</b></u>

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	<u><b>\$ 521,700</b></u>	<u><b>735,056</b></u>
Income tax using the Company's domestic tax rate	104,341	147,011
The amount of tax adjusted according to the tax law	(611)	(557)
Change in provision in prior periods	(180)	-
Additional tax on undistributed earnings	11,200	15,048
	<u><b>\$ 114,750</b></u>	<u><b>161,502</b></u>

#### (ii) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

#### Deferred Tax Assets:

	<u>Inventory price loss</u>	<u>Unrealized exchange loss</u>	<u>Convert-ible Bonds</u>	<u>Loss carry-forwa rds</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 31,095	2,351	-	38,639	4,424	76,509
Recognized in profit or loss	1,479	(2,188)	-	(38,639)	(1,107)	(40,455)
Balance at December 31, 2020	<u><b>\$ 32,574</b></u>	<u><b>163</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>3,317</b></u>	<u><b>36,054</b></u>
Balance at January 1, 2019	\$ 27,435	63,294	127,921	-	4,313	222,963
Recognized in profit or loss	3,660	(60,943)	(127,921)	38,639	111	(146,454)
Balance at December 31, 2019	<u><b>\$ 31,095</b></u>	<u><b>2,351</b></u>	<u><b>-</b></u>	<u><b>38,639</b></u>	<u><b>4,424</b></u>	<u><b>76,509</b></u>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(iii) Examination and Approval

The Company's tax returns for the years through 2018 were examined and approved by the Taichung National Tax Administration.

(m) Capital and Other Equity

As of December 31 2020 and 2019, the number of authorized ordinary shares were 138,571 thousand shares at par value of \$10 per share, amounting to \$1,862,196 thousand.

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

	<b>Ordinary Shares (thousand)</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	138,571	137,961
Exercise of share options	-	610
Balance at December 31	<b>138,571</b>	<b>138,571</b>

(i) Ordinary shares

On June 27, 2019, the Company's Board of Directors approved the appropriation of employee remuneration amounting to \$31,903 thousand by issuing 610 thousand ordinary shares to employees, with the issue date was set on September 16, 2019. All related registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Gain on disposal of assets	\$ 305	305
Overdue dividends	559	288
Premium from issued	25,803	25,803
	<b>\$ 26,667</b>	<b>26,396</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase, by transferring the capital surplus in excess of the par value, should not exceed 10% of the total common stock outstanding.



## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

#### (iii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy depends on the Company's capital expenditure budget and required working capital. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend can not be less than 10% of the total dividends distributed.

##### 1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

##### 2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net. The special reserve for the years ended December 31, 2020 and 2019 were \$38,560 thousand, respectively.

##### 3) Earnings distribution

Earnings distribution for 2019 and 2018 were decided via the general meeting of the shareholders held on June 30, 2020 and June 27, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders				
Cash	\$ 1.2	166,284	4.0	551,843

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

- (iii) OCI accumulated in reserves, net of tax

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020 (Equal Balance at December 31, 2020)	<u>\$ (38,560)</u>
Balance at January 1, 2019 (Equal Balance at December 31, 2019)	<u>\$ (38,560)</u>

- (n) Earnings per Share

1. Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company amounting to \$406,951 thousand and \$573,554 thousand, and the weighted average number of ordinary shares outstanding of 138,571 thousand and 138,139 thousand, respectively, as follows:

- (i) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 406,951</u>	<u>573,554</u>

- (ii) Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	138,571	137,961
Effect of employee share bonus	-	178
Weighted average number of ordinary shares at 31 December	<u>138,571</u>	<u>138,139</u>

2. Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company amounting to \$406,951 thousand and \$573,554 thousand, and the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares of 139,471 thousand and 138,965 thousand, respectively, as follows:

- (i) Profit attributable to ordinary shareholders of the Company (diluted)

	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 406,951</u>	<u>573,554</u>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(ii) Weighted average number of ordinary shares (diluted)

	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares (basic)	<b><u>138,571</u></b>	<b><u>138,139</u></b>
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	<u>900</u>	<u>826</u>
Weighted average number of ordinary shares (diluted) at December 31	<b><u>139,471</u></b>	<b><u>138,965</u></b>

(o) Revenue from contracts with customers

(i) Details of revenue

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Main markets		
United States	\$ 1,784,631	1,689,978
Taiwan	485,529	383,682
Germany	294,443	291,589
Japan	112,334	99,529
Belgium	101,584	123,409
Others	<u>810,792</u>	<u>875,896</u>
	<b><u>\$ 3,589,313</u></b>	<b><u>3,464,083</u></b>
Major products		
Pneumatic nailers	\$ 2,073,237	1,745,964
Automotive air tools	758,492	997,920
Magnesium alloy products	333,127	269,113
Others	<u>424,457</u>	<u>451,086</u>
	<b><u>\$ 3,589,313</u></b>	<b><u>3,464,083</u></b>

(ii) Contract balances

	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities	<b><u>\$ 35,963</u></b>	<b><u>71,040</u></b>

For details on trade receivable and allowance for impairment, please refer to note 6 (c).

The amount of revenue recognized for the year ended December 31, 2020 and 2019, that was included in the contract liability balance at the beginning of the period were \$59,267 thousand and \$40,740 thousand.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(p) Remuneration to employees and directors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 0.5% will be distributed as employee remuneration, and a maximum of 3% will be allocated as remuneration to directors and supervisors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2020 and 2019, the Company accrued and recognized its employee remuneration amounting to \$29,622 thousand and \$31,973 thousand, respectively, as well as its remuneration to directors and supervisors amounting to be both \$11,000 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees, directors and supervisors, multiplied by the distribution of ratio of the remuneration to employees, directors and supervisors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year.

(q) Non-operating Income and Expenses

(i) Interest income

The details of other income were as follows:

	2020	2019
Bank deposits and foreign bonds	\$ 16,690	311,962

(ii) Other gains and losses

The details of other gains and losses were as follows:

	2020	2019
Foreign exchange gains or loss, net	\$ (49,537)	(56,983)
Miscellaneous income	2,027	11,021
Gains (Losses) on disposals of property, plant and equipment	1,139	(237)
Gains or losses on fair value through profit or loss financial assets	-	(29,184)
	<u>\$ (46,371)</u>	<u>(75,383)</u>

(iii) Finance costs

The details of financial costs were as follows:

	2020	2019
<b>Interest expenses:</b>		
Bank loans	\$ -	78,032

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(r) Financial Instruments

(i) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(ii) Concentration of credit risk

The major customers of the Company are centralized in the hightech computer industry. To minimize credit risk, the Company periodically evaluates their financial positions and the possibility of collecting trade receivables. Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 44% and 43%, respectively, of accounts receivable were two and four customers. Thus, credit risk is significantly centralized.

(iii) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).)

(iv) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6 months - 1 years	1 - 2 years	2 - 5 years	Over 5 years
<b>December 31, 2020</b>							
<b>Non-derivative financial liabilities</b>							
Notes and Accounts payable	\$ 423,590	423,590	423,590	-	-	-	-
Other payables	396,059	396,059	396,059	-	-	-	-
	<b>\$ 819,649</b>	<b>819,649</b>	<b>819,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2019</b>							
<b>Non-derivative financial liabilities</b>							
Notes and Accounts payable	\$ 244,801	244,801	244,801	-	-	-	-
Other payables	374,218	374,218	374,218	-	-	-	-
	<b>\$ 619,019</b>	<b>619,019</b>	<b>619,019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(v) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019				
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD		
<b><u>Financial assets</u></b>								
<b><u>Monetary items</u></b>								
USD	\$	27,353	28.48	779,026	\$	16,096	29.980	482,564

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and other financial assets (current and non-current); and trade and other payables that are denominated in foreign currency. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. A strengthening (weakening) of 3% of the USD as of December 31, 2020 and December 31, 2019 would have increased (decreased) the net profit after tax by 18,696 and 11,582 thousand. The analysis is performed on the same basis for prior year.

3) Foreign exchange gain and loss on monetary items

Since the Company transacts in different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the year 2019, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$174,983, respectively. please refer to note 6(q).

(vi) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5 basis points, the Company's net income would have increased / decreased by \$8,999 thousand and \$8,500 thousand for the year ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

# BASSO INDUSTRY CORPORATION

## Notes to the Financial Statements

### (vii) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging is measured on a recurring basis. The carrying amount and fair value of the Company' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

		December 31, 2020			
		Book Value	Fair Value		
			Level 1	Level 2	Level 3
					Total
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks in unlisted companies	\$	10	-	-	10
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents		544,445	-	-	-
Notes receivable, accounts receivable and other receivables		906,369	-	-	-
Current other financial assets		1,799,700	-	-	-
Subtotal		3,250,514	-	-	-
	<b>\$</b>	<b>3,250,524</b>	-	-	<b>10</b>
<b>Financial liabilities at amortized cost</b>					
Notes payable, accounts payable and other payables		819,649	-	-	-
	<b>\$</b>	<b>819,649</b>	-	-	-
		December 31, 2019			
		Book Value	Fair Value		
			Level 1	Level 2	Level 3
					Total
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks in unlisted companies	\$	10	-	-	10
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents		542,488	-	-	-
Notes receivable, accounts receivable and other receivables		598,165	-	-	-
Current other financial assets		1,700,000	-	-	-
Subtotal		2,840,653	-	-	-
	<b>\$</b>	<b>2,840,663</b>	-	-	<b>10</b>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

		December 31, 2019				
		Book	Fair Value			
		Value	Level 1	Level 2	Level 3	Total
Financial liabilities:						
Financial liabilities at amortized cost						
Notes payable, accounts payable and other payables	\$	619,019	-	-	-	-
	\$	619,019	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Financial assets measured at amortized cost (held-to-maturity financial assets). If quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

4) Transfers between Level 1 and Level 2

There were no transfers from Level 1 to another in 2020 and 2019.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt investments" and "fair value through other comprehensive income (available-for-sale financial assets) – equity investments".



## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

The Company's equity investment instruments that are not available for active market quotes and are not for short-term trading purposes, the management adopts the recent financial report of the investee company to assess the industry development and view publicly available information, and to examine and Evaluate the operating status and future operating performance of the investee company to assess the fair value of the investee company. Generally, changes in industry and market prospects are highly positively correlated with changes in the operating and future performance of the investee company.

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Non-current financial assets measured at cost) equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> <li>Net Asset Value</li> </ul>	Not applicable

#### (s) Financial Risk Management

##### (i) Overview

The Company is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects on these risks exposures, please refer to the respective notes in the accompanying financial statements.

##### (ii) Structure of risk management

The Company' s finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, as well as supervises and manages the financial risks related to the Company' s operation based on the internal risk report on exposure to risk with the analysis of the extent and the width of the risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is the documentation regarding exchange rate risk, interest risk, credit risk , operation of derivative and non-derivative financial instruments and investment in the remaining current capital. The internal auditors of the Company continue with the review of the compliance with the policy and the extent of the exposure to risk. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(iii) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's receivables from customers and investments in debt securities.

##### **1) Accounts receivables and other receivable**

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. When it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors its exposure to credit risk and counterparty credit ratings, and establishes sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

##### **2) Investments**

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company expects the counterparties above to meet their obligations; hence, there is no significant credit risk arising from these counterparties.

##### **3) Guarantee**

As of December 31, 2020 and 2019, there were no guarantees that were outstanding for both years.

#### **(iv) Liquidity risk**

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. Its management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2020 and 2019, the Company's unused credit lines amounted to \$200,000 thousand and \$6,250,000 thousand, respectively.

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which affects the Company' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company' s entities, primarily US Dollars (USD).

2) Interest rate risk

The Company adopts a policy of ensuring that exposure to changes in interest rates on borrowings is on a floating-rate basis

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk of holding different investment portfolios.

(t) Capital Management

The Company' s objective is to manage its capital to safeguard its capacity to continue to operate, and provide a return on shareholders, as well as to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt, divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus, net debt.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

As of December 31, 2020, the Company's capital management strategy is consistent with that of the prior year, and the debt to equity ratio is maintained within 50% to 100% to ensure financing at reasonable cost. The Company's debt to equity ratio at the end of the reporting period was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 972,217	732,798
Less: cash and cash equivalents	(544,445)	(542,488)
Net debt	427,772	190,310
Total equity	4,116,934	3,880,947
Adjusted capital	<u>\$ 4,544,706</u>	<u>4,071,257</u>
Debt-to-equity ratio at 31 December	<u>9.41%</u>	<u>4.67%</u>

The increase in accounts payable resulted in an increase in the Company's debt ratio as of December 31, 2020. In addition, stocks were prepared at the end of 2020 to meet the market's growing demand, which led to the increase in inventories in the first quarter of 2021.

(u) Non-cash trading investing and financing activities

The adjustment of liabilities from financing activities are as follows:

	January 1, 2019	Cash flow statement	Change of non-cash			December 31, 2019
			Acquisition	Change of exchange rate	Change of fair value	
Long-term borrowing						
(include due withing a year)	\$ 1,189,000	(1,189,000)	-	-	-	-
Short-term borrowing	8,993,000	(8,993,000)	-	-	-	-
Total of liabilities from						
financing activities	<u>\$ 10,182,000</u>	<u>(10,182,000)</u>	-	-	-	-

**(7) Related-party transactions:**

Key management personnel compensation

Key management personnel compensation comprised of the following:

	2020	2019
Short-term employee benefits	\$ 39,079	50,158
Post-employment Benefits	543	543
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	<u>\$ 39,622</u>	<u>50,701</u>

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

**(8) Pledged assets:**

The carrying values of pledged assets were as follow:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land	Guarantee for bank loans	\$ -	105,388
Buildings and structures	Guarantee for bank loans	-	166,213
		<b>\$ -</b>	<b>271,601</b>

**(9) Commitments and contingencies: None.**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

A summary of current-period employee benefits, depreciation, depletion, and amortization, by function is as follows:

By function By item	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	328,536	117,521	446,057	319,294	139,559	458,853
Labor and health insurance	29,851	9,394	39,245	29,818	9,804	39,622
Pension	12,673	4,522	17,195	12,468	4,411	16,879
Director's remuneration	-	18,379	18,379	-	23,293	23,293
Others	11,644	2,344	13,988	11,565	2,320	13,885
Depreciation	75,567	46,863	122,430	65,581	34,057	99,638
Amortization	2,371	9,048	11,419	2,433	11,827	14,260

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

The number of employees in the Company and employee benefits for 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
The number of employees	<u><b>736</b></u>	<u><b>753</b></u>
The number of non-employee directors	<u><b>5</b></u>	<u><b>5</b></u>
Average employee benefits	<u><b>\$ 707</b></u>	<u><b>708</b></u>
Average salary	<u><b>\$ 610</b></u>	<u><b>613</b></u>
Adjustment of average salary	<u><b>(0.49)%</b></u>	<u><b>(1.13)%</b></u>
Supervisor' s remuneration	<u><b>\$ 3,360</b></u>	<u><b>3,360</b></u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

1. Remuneration to directors and supervisors

The Board is authorized to determine the salary for the directors and supervisors, taking into account the extent and value of the services they provided for the Company, as well as the level within the same industry in Taiwan. In addition, the Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a maximum of 3% will be allocated as remuneration to directors and supervisors.

2. Remuneration to executive officers

- (1) Ensure that the Company' s salary and remuneration policies comply with relevant laws and regulations to attract talents.
- (2) The remuneration and performance bonuses of executive officers are with reference to the industry practice in the R.O.C.; and the total remuneration paid to executive officers is decided based on their contribution to the Company, job responsibility, achievement of their individual goals, and the achievement of the Company' s performance on short-term and long-term business goals, as well as the projected future risks the Company will face.
- (3) The executive officers can not violate the Company's policy in order to get more bonuses.
- (4) The Company determines the percentage of bonus on business performance and the timing of bonus payment based on operating results and industry practice in the R.O.C.

3. The Company' s remuneration policies

The Company' s remuneration policies are in accordance with the Company' s “Rules for Compensation to Employees” and “Rules for performance of Employees”

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

- (a) Information on significant transactions: None.

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock-COTA commercial bank	None	FVOCI	2	10	-%	13	
The Company	Stock-GATETECH	None	FVOCI	225	-	0.39%	11	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions: None.
- (b) Information on investments: None.
- (c) Information on investment in mainland China: None.

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(d) Major shareholders:

<b>Shareholder' s Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Ba Wei Investment Co., Ltd.		13,507,138	9.74%
Fubon Life Insurance Co., Ltd.		7,234,000	5.22%

#### (14) Segment information:

(a) General information

The Company has one reportable segment, the pneumatic hand tool. This segment is mainly involved in manufacturing and selling Nail machine and pneumatic tools, providing products and manage relevant skills and marketing strategies.

(b) Information about reportable segments and their measurement and reconciliations

The Company uses the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation. The internal management report includes profit before taxation.

The segment profit includes depreciation and amortization expenses, income tax expense (income), unusual profit (loss), and other significant non-monetary items. The reporting amount is the same with that of the chief operating decision maker's.

There is no inconsistency between the accounting principles of the operating segment and the accounting principle described in Note 4. All reportable segments of the Company is consistent with the financial statements. Please refer to the balance sheet and comprehensive income statement.

(c) Production and service information

Revenue from the external customers of the Company was as follows:

<b>Product and services</b>	<b>2020</b>	<b>2019</b>
Pneumatic nailers	\$ 2,073,237	1,745,964
Automotive air tools	758,492	997,920
Magnesium alloy products	333,127	269,113
Others	424,457	451,086
	<b>\$ 3,589,313</b>	<b>3,464,083</b>



## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2020</u>	<u>2019</u>
United States	\$ 1,784,631	1,689,978
Taiwan	485,529	383,682
Germany	294,443	291,589
Japan	112,334	99,529
Belgium	101,584	123,409
Danmark	90,019	77,507
Switzerland	69,664	86,654
Other countries	651,109	711,735
	<u><u>\$ 3,589,313</u></u>	<u><u>3,464,083</u></u>

Non-current assets:

<u>Geographical information</u>	<u>2020</u>	<u>2019</u>
Taiwan	<u><u>\$ 1,000,242</u></u>	<u><u>1,012,901</u></u>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets; excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(e) Major customers

	<u>2020</u>	<u>2019</u>
A customer of pneumatic hand tool division	<u><u>\$ 724,186</u></u>	<u><u>562,314</u></u>

**Basso Industry Corporation**  
**List of cash and bank deposits**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Cash	Petty cash	\$ 100
	Foreign currency(USD7,164.74×30.7522	
	JPY467,000 ×0.28547	
	EUR3,260 ×35.2316	
	HKD640 ×3.9422	
	CNY16,962.5 ×4.41243	
	GBP2,905 ×41.2180	671
	KWR190,000 ×0.02911	
Bank deposits	Demand deposit and time deposit	494,605
	Foreign currency(USD1,296,938.95×28.48	
	JPY254,342×0.2763	
	EUR344,431.85×35.02	
	CAD3.03×22.35)	<u>49,069</u>
		<b><u>\$ 544,445</u></b>

**Basso Industry Corporation**  
**List of notes and accounts receivable**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Client's name</u>	<u>Description</u>	<u>Amount</u>
Notes Receivable :		
Menards, Inc.	Operating	\$ 3,417
Ren Yow Industrial Co., Ltd.	"	559
Tone House Designs Co., Ltd.	"	588
Others (Note)	"	5,175
		<u><b>\$ 9,739</b></u>
Accounts Receivable :		
B&D Macao Coml Offshore Ltd	Operating	\$ 91,109
Techtronic Trading Ltd	"	302,982
Others (Note)	"	492,518
		<u>886,609</u>
Allowance lost		<u>(1,833)</u>
		<u><b>\$ 884,776</b></u>

Note: If the amount does not exceed 5% of the balance of the account, it will not be listed separately.

**Other receivable list**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivable	Interest receivable and others	<u><b>\$ 11,854</b></u>

**Basso Industry Corporation**  
**List of other current financial assets**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other financial asset	Time deposits with maturities of more than three months	<u><u>\$ 1,799,700</u></u>

**Inventory list**

<u>Item</u>	<u>Amount</u>		<u>Notes</u>
	<u>Cost</u>	<u>Market price</u>	
Commodity	\$ 3	2	Net realizable value
Financial goods	139,623	158,514	Net realizable value
Work in process	341,765	326,805	Net realizable value
Raw materials	<u>345,717</u>	<u>324,557</u>	Replacement cost
	827,108	<u><u>809,878</u></u>	
Allowance for sluggish loss	<u>(162,868)</u>		
	<u><u>\$ 664,240</u></u>		

**Basso Industry Corporation**  
**List of prepaid expenses and other current assets**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Prepayments	Prepaid receipts	\$ 3,060
	Other prepaid expenses	<u>8,296</u>
		<u>11,356</u>
Tax refund	Business tax	22,281
Other current assets	Temporary payment	<u>813</u>
		<u>23,094</u>
		<b><u>\$ 34,450</u></b>

**Basso Industry Corporation**  
**List of changes in P.P.E and accumulated depreciation**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b>Item</b>	<b>Opening balance</b>	<b>Increased</b>	<b>Decreased</b>	<b>Reclassify</b>	<b>Ending balance</b>	<b>Notes</b>
Cost :						
Land	\$ 305,349	-	-	-	305,349	
Building and structure	667,373	1,137	(1,712)	130	666,928	
Machinery equipment	1,850,912	13,989	(29,222)	101,690	1,937,369	
Other equipment	147,612	4,168	(9,547)	6,067	148,300	
	<u>2,971,246</u>	<u>19,294</u>	<u>(40,481)</u>	<u>107,887</u>	<u>3,057,946</u>	
Accumulated depreciation :						
Building and structure	293,178	18,896	(1,642)	-	310,432	Note1
Machinery equipment	1,600,738	93,617	(28,711)	-	1,665,644	Note1
Other equipment	117,086	9,917	(9,547)	-	117,456	Note1
	<u>2,011,002</u>	<u>122,430</u>	<u>(39,900)</u>	<u>-</u>	<u>2,093,532</u>	
	<u><b>\$ 960,244</b></u>	<u><b>(103,136)</b></u>	<u><b>(581)</b></u>	<u><b>107,887</b></u>	<u><b>964,414</b></u>	

Note1 : The reclassify of this period consisted of the transfer of prepayment of equipment into the amount of 94,823 thousand and the transfer of inventory of 13,064 thousand.

**Basso Industry Corporation**  
**For the year ended December 31, 2020**  
**List of changes in intangible assets**  
**(expressed in thousands of New Taiwan dollars)**

Please refer to 6 (g) for related information.

**List of other non-current assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other Non-current assets	Refundable deposits	\$ 1,509
	Prepaid equipment	18,834
	Prepayment	44
		<u>\$ 20,387</u>

**List of notes and accounts payable**

<u>Supplier's name</u>	<u>Description</u>	<u>Amount</u>
Notes payable		
Others (Note)	"	<u>\$ 6,369</u>
Account payable		
JIU DAI PRECISION IND. CO., LTD	"	\$ 38,150
CHANG HANG ENTERPRISE Co., LTD	"	26,384
Others (Note)	"	352,687
		<u>\$ 417,221</u>

Note: If the amount does not exceed 5% of the balance of the account, it will not be listed separately.

**Basso Industry Corporation**  
**List of accrued expenses and other current liabilities**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Other payable	Payroll payable	\$ 93,411
	Processing fee payable	104,155
	Employee bonus and director's compensation payable	40,622
	Advertising payable	32,425
	Others (Note)	<u>125,446</u>
		<u>396,059</u>
Other current liabilities	Temporary payment — other	673
	Collection payment	<u>695</u>
		<u>1,368</u>
		<b><u>\$ 397,427</u></b>

Note: If the amount does not exceed 5% of the balance of the account, it will not be listed separately.



**Basso Industry Corporation**  
**List of net operating income**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Quantity</u></b>		<b><u>Amount</u></b>
Pneumatic nailers	961,469	\$	2,073,237
Automotive air tools	429,757		758,492
Magnesium alloy products	3,042,570		333,127
Others			424,157
		<b>\$</b>	<b><u>3,589,013</u></b>

**Basso Industry Corporation**  
**List of cost of goods sold**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Amount</u></b>
Commodity	
Commodity, beginning of year	\$ 10
Plus : commodity purchased	2,741
Less : commodity, end of year	<u>(3)</u>
Cost of goods sold	<u>2,748</u>
Raw materials	
Raw materials, beginning of year	315,965
Plus : raw materials purchased	1,684,033
Less : raw materials, end of year	(345,717)
Sale of raw materials	(206,019)
Loss on physical inventory	(3)
Scrapped	(11,084)
Others	<u>(15,803)</u>
Raw materials used	1,421,372
Direct labor	169,969
Manufacturing expenses	<u>999,653</u>
Manufacturing costs	2,590,994
Plus : work-in-process, beginning of year	277,849
Less : work-in-process, end of year	<u>(341,765)</u>
Cost of finished goods	2,527,078
Plus : finished goods, beginning of year	112,609
finished goods purchased	14,257
Less : finished goods, end of year	(139,623)
Scrapped	(185)
Transferred to fixed assets	(13,064)
Others	<u>(11,255)</u>
Self-made sales cost	<u>2,489,817</u>
Sale of raw material	206,019
Revenue from sale of scraps	(34,476)
Preparation for warranty	(760)
Scrapped	11,269
Inventory decline and sluggish loss	7,394
Others	<u>(1,646)</u>
Operating cost	<u><u>\$ 2,680,365</u></u>

**Basso Industry Corporation**  
**List of operating expenses**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Sales expense</u></b>	<b><u>Administration</u></b>	<b><u>Research expense</u></b>
Salary expenditure	\$ 27,641	56,547	55,072
Freight	14,017	-	-
Employee benefits	326	7,066	582
Depreciation	1,272	990	44,601
Advertising expense	22,232	-	-
Sample fee	26	-	20,290
Commision	9,358	-	-
Export fee	20,505	-	-
Professional service fees	-	10,728	49
Mold fee	15	-	12,750
Others (note)	9,154	12,584	41,218
	<b><u>\$ 104,546</u></b>	<b><u>87,915</u></b>	<b><u>174,562</u></b>

Note: If the amount does not exceed 5% of the account, it will not be disclosed seperately.

**Basso Industry Corporation**  
**List of non-operating income and expenses**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Non-operating income :		
Interest revenue—bank deposits and bonds	Non-operating	\$ 16,690
Profit on disposal of fixed assets	"	1,139
Others (note)	"	2,027
		<u><b>\$ 19,856</b></u>
Non-operating expense :		
Financial assets valuation loss	"	49,537
		<u><b>\$ 49,537</b></u>

Note: If the amount does not exceed 5% of the account, it will not be disclosed separately.